

# **GAMBLING CONTROL ACT & REGULATIONS**

**Business and Professions Code Section 19800 et seq. Articles 1 thru 17**

**Title 4. Business Regulations  
Division 18. California Gambling Control Commission  
Title 11. Law  
Division 3. Gambling Control**

**AMENDED JANUARY 1, 2008**



**DEPARTMENT OF JUSTICE  
BUREAU OF GAMBLING CONTROL**

**THIS PUBLICATION IS NOT A LEGAL DOCUMENT**

This publication was designed as an aid to gambling establishments and other interested parties by providing the text, current as of the date of publication, of the Gambling Control Act and related administrative regulations. There is no representation, warranty, or guarantee that this compilation is error-free or comprehensive of gambling-related laws and regulations; and this publication is not a substitute for the advice of an attorney.

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# **BUSINESS AND PROFESSIONS CODE**

## **Article 1. General Provisions**

### **19800. Short title**

This chapter shall be known, and may be cited, as the "Gambling Control Act."

### **19801. Legislative Findings and Declarations**

The Legislature hereby finds and declares all of the following:

(a) State law prohibits commercially operated lotteries, banked or percentage games, and gambling machines, and strictly regulates pari-mutuel wagering on horse racing. To the extent that state law categorically prohibits certain forms of gambling and prohibits gambling devices, nothing herein shall be construed, in any manner, to reflect a legislative intent to relax those prohibitions.

(b) The State of California has permitted the operation of gambling establishments for more than 100 years. Gambling establishments were first regulated by the State of California pursuant to legislation, which was enacted in 1984. Gambling establishments currently employ more than 20,000 people in the State of California, and contribute more than one hundred million dollars (\$100,000,000) in taxes and fees to California's government. Gambling establishments are lawful enterprises in the State of California, and are entitled to full protection of the laws of this state.

(c) Gambling can become addictive and is not an activity to be promoted or legitimized as entertainment for children and families.

(d) Unregulated gambling enterprises are inimical to the public health, safety, welfare, and good order. Accordingly, no person in this state has a right to operate a gambling enterprise except as may be expressly permitted by the laws of this state and by the ordinances of local governmental bodies.

(e) It is the policy of this state that gambling activities that are not expressly prohibited or regulated by state law may be prohibited or regulated by local government. Moreover, it is the policy of this state that no new gambling establishment may be opened in a city, county, or city and county in which a gambling establishment was not operating on and before January 1, 1984, except upon the affirmative vote of the electors of that city, county, or city and county.

(f) It is not the purpose of this chapter to expand opportunities for gambling, or to create any right to operate a gambling enterprise in this state or to have a financial interest in any gambling enterprise. Rather, it is the purpose of this chapter to regulate businesses that offer otherwise lawful forms of gambling games.

(g) Public trust that permissible gambling will not endanger public health, safety, or welfare requires that comprehensive measures be enacted to ensure that gambling is free from criminal and corruptive elements, that it is conducted honestly and competitively, and that it is conducted in suitable locations.

(h) Public trust and confidence can only be maintained by strict and comprehensive regulation of all persons, locations, practices, associations, and activities related to the operation of lawful gambling establishments and the manufacture and distribution of permissible gambling equipment.

(i) All gambling operations, all persons having a significant involvement in gambling operations, all establishments where gambling is conducted, and all manufacturers, sellers, and distributors of gambling equipment must be licensed and regulated to protect the public health, safety, and general welfare of the residents of this state as an exercise of the police powers of the state.

(j) To ensure that gambling is conducted honestly, competitively, and free of criminal and corruptive elements, all licensed gambling establishments in this state must remain open to the general public and the access of the general public to licensed gambling activities must not be restricted in any manner, except as provided by the Legislature. However, subject to state and federal prohibitions against discrimination, nothing herein shall be construed to preclude exclusion of unsuitable persons from licensed gambling establishments in the exercise of reasonable business judgment.

(k) In order to effectuate state policy as declared herein, it is necessary that gambling establishments, activities, and equipment be licensed, that persons participating in those activities be licensed or registered, that certain transactions, events, and processes involving gambling establishments and owners of gambling establishments be subject to prior approval or permission, that unsuitable persons not be permitted to associate with gambling activities or gambling establishments, and that gambling activities take place only in suitable locations. Any license or permit issued, or other approval granted pursuant to this chapter, is declared to be a revocable privilege, and no holder acquires any vested right therein or thereunder.

(l) The location of lawful gambling premises, the hours of operation of those premises, the number of tables permitted in those premises, and wagering limits in permissible games conducted in those premises are proper subjects for regulation by local governmental bodies. However, consideration of those same subjects by a state regulatory agency, as specified in this chapter, is warranted when local governmental regulation respecting those subjects is inadequate or the regulation fails to safeguard the legitimate interests of residents in other governmental jurisdictions.

(m) The exclusion or ejection of certain persons from gambling establishments is necessary to effectuate the policies of this chapter and to maintain effectively the strict regulation of licensed gambling.

(n) Records and reports of cash and credit transactions involving gambling establishments may have a high degree of usefulness in criminal and regulatory investigations and, therefore, licensed gambling operators may be required to keep records and make reports concerning significant cash and credit transactions.

## **19802. Further Legislative Findings and Declarations**

The Legislature further finds and declares as follows:

Appropriate regulation of banking and percentage games or of gambling devices consistent with public safety and welfare would require, at a minimum, all of the following safeguards:

(a) The creation of an adequately funded gambling control commission with comprehensive powers to establish minimum standards and technical specifications for gambling equipment and devices.

(b) The creation of an adequately funded law enforcement capability within state government to inspect, test, and evaluate gambling equipment and devices and modifications thereto.

(c) An appropriation by the Legislature to sufficiently fund a full-time commission and law enforcement capability with responsibilities commensurate with the expanded scope of gambling.

(d) The enactment of necessary regulations setting forth standards and procedures for the licensing of persons connected with the manufacture, sale, and distribution of equipment and devices in this state.

(e) The enactment of standards related to the trustworthiness and fairness of equipment

and devices, upon the commission's recommendation to the Legislature.

(f) The enactment of statutory provisions governing the importation, transportation, sale, and disposal of equipment and devices, upon the commission's recommendation to the Legislature.

(g) The enactment of statutes providing for appropriate inspection and testing of equipment and devices, upon the commission's recommendation to the Legislature.

**19803. Legislative Intent; City and County Authority; Responsibility of Local Law Enforcement Agencies**

(a) It is the intent of the Legislature, in enacting this chapter, to provide uniform, minimum standards of regulation of permissible gambling activities and the operation of lawful gambling establishments.

(b) Nothing in this chapter shall be construed to preclude any city, county, or city and county from prohibiting any gambling activity, from imposing more stringent local controls or conditions upon gambling than are imposed by this chapter or by the commission, from inspecting gambling premises to enforce applicable state and local laws, or from imposing any local tax or license fee, if the prohibition, control, condition, inspection, tax, or fee is not inconsistent with this chapter. Nothing in this chapter shall be construed to affect the responsibility of local law enforcement agencies to enforce the laws of this state, including this chapter.

**19804. Action for Declaratory or Injunctive Relief or Relief by Extraordinary Writ; Required Evidence; Administrative Remedies; Copy of Pleading**

(a) In any action for declaratory or injunctive relief, or for relief by way of any extraordinary writ, other than an action initiated pursuant to Section 19932, wherein the construction, application, or enforcement of this chapter, or any regulation adopted pursuant thereto, or any order of the department or the commission issued pursuant thereto, is called into question, a court shall not grant any preliminary or permanent injunction, or any peremptory writ of mandate, certiorari, or prohibition, in connection therewith, except as follows:

(1) Upon proof by clear and convincing evidence that the department or the commission is abusing or threatens to abuse its discretion.

(2) Upon proof by clear and convincing evidence that the department or the commission is exceeding or threatens to exceed its jurisdiction.

(b) No temporary injunction or other provisional order shall issue to restrain, stay, or otherwise interfere with any action by the department or the commission, except upon a finding by the court, based on clear and convincing evidence, that the public interest will not be prejudiced thereby, and no order may be effective for more than 15 calendar days.

(c) This section does not relieve a petitioner's obligation to exhaust administrative remedies.

(d) In an action for relief of any nature wherein the construction, application, or enforcement of this chapter, or any regulation adopted pursuant thereto, or any order of the department or commission issued pursuant thereto, is called into question, the party filing the pleading shall furnish a copy thereof to the department and to the commission. The copy shall be furnished by the party filing the pleading within 10 business days after filing.

## **19805. Definitions**

As used in this chapter, the following definitions shall apply:

(a) "Affiliate" means a person who, directly or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, a specified person.

(b) "Applicant" means any person who has applied for, or is about to apply for, a state gambling license, a key employee license, a registration, a finding of suitability, a work permit, a manufacturer's or distributor's license, or an approval of any act or transaction for which the approval or authorization of the commission or department is required or permitted under this chapter.

(c) "Banking game" or "banked game" does not include a controlled game if the published rules of the game feature a player-dealer position and provide that this position must be continuously and systematically rotated amongst each of the participants during the play of the game, ensure that the player-dealer is able to win or lose only a fixed and limited wager during the play of the game, and preclude the house, another entity, a player, or an observer from maintaining or operating as a bank during the course of the game. For purposes of this section it is not the intent of the Legislature to mandate acceptance of the deal by every player if the department finds that the rules of the game render the maintenance of or operation of a bank impossible by other means. The house shall not occupy the player-dealer position.

(d) "Chief" means the head of the entity within the department that is responsible for fulfilling the obligations imposed upon the department by this chapter.

(e) "Commission" means the California Gambling Control Commission.

(f) "Controlled gambling" means to deal, operate, carry on, conduct, maintain, or expose for play any controlled game.

(g) "Controlled game" means any controlled game, as defined by subdivision (e) of Section 337j of the Penal Code.

(h) "Department" means the Department of Justice.

(i) "Director" means any director of a corporation or any person performing similar functions with respect to any organization.

(j) "Finding of suitability" means a finding that a person meets the qualification criteria described in subdivisions (a) and (b) of Section 19857, and that the person would not be disqualified from holding a state gambling license on any of the grounds specified in Section 19859.

(k) "Game" and "gambling game" means any controlled game.

(l) "Gambling" means to deal, operate, carry on, conduct, maintain, or expose for play any controlled game.

(m) "Gambling enterprise employee" means any natural person employed in the operation of a gambling enterprise, including, without limitation, dealers, floor personnel, security employees, countroom personnel, cage personnel, collection personnel, surveillance personnel, data-processing personnel, appropriate maintenance personnel, waiters and waitresses, and secretaries, or any other natural person whose employment duties require or authorize access to restricted gambling establishment areas.

(n) "Gambling establishment," "establishment," or "licensed premises," except as otherwise defined in Section 19812, means one or more rooms where any controlled gambling or activity directly related thereto occurs.

(o) "Gambling license" or "state gambling license" means any license issued by the state that authorizes the person named therein to conduct a gambling operation.

(p) “Gambling operation” means exposing for play one or more controlled games that are dealt, operated, carried on, conducted, or maintained for commercial gain.

(q) “Gross revenue” means the total of all compensation received for conducting any controlled game, and includes interest received in payment for credit extended by an owner licensee to a patron for purposes of gambling, except as provided by regulation.

(r) “Hours of operation” means the period during which a gambling establishment is open to conduct the play of controlled games within a 24-hour period. In determining whether there has been expansion of gambling relating to “hours of operation,” the department shall consider the hours in the day when the local ordinance permitted the gambling establishment to be open for business on January 1, 1996, and compare the current ordinance and the hours during which the gambling establishment may be open for business. The fact that the ordinance was amended to permit gambling on a day, when gambling was not permitted on January 1, 1996, shall not be considered in determining whether there has been gambling in excess of that permitted by Section 19961.

(s) “House” means the gambling establishment, and any owner, shareholder, partner, key employee, or landlord thereof.

(t) “Independent agent,” except as provided by regulation, means any person who does either of the following:

(1) Collects debt evidenced by a credit instrument.

(2) Contracts with an owner licensee, or an affiliate thereof, to provide services consisting of arranging transportation or lodging for guests at a gambling establishment.

(u) “Initial license” means the license first issued to a person authorizing that person to commence the activities authorized by that license.

(v) “Institutional investor” means any retirement fund administered by a public agency for the exclusive benefit of federal, state, or local public employees, any investment company registered under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1 et seq.), any collective investment trust organized by banks under Part Nine of the Rules of the Comptroller of the Currency, any closed-end investment trust, any chartered or licensed life insurance company or property and casualty insurance company, any banking and other chartered or licensed lending institution, any investment advisor registered under the Investment Advisors Act of 1940 (15 U.S.C. Sec. 80b-1 et seq.) acting in that capacity, and other persons as the commission may determine for reasons consistent with the policies of this chapter.

(w) “Key employee” means any natural person employed in the operation of a gambling enterprise in a supervisory capacity or empowered to make discretionary decisions that regulate gambling operations, including, without limitation, pit bosses, shift bosses, credit executives, cashier operations supervisors, gambling operation managers and assistant managers, managers or supervisors of security employees, or any other natural person designated as a key employee by the department for reasons consistent with the policies of this chapter.

(x) “Key employee license” means a state license authorizing the holder to be employed as a key employee.

(y) “License” means a gambling license or key employee license.

(z) “Licensed gambling establishment” means the gambling premises encompassed by a state gambling license.

(aa) “Limited partnership” means a partnership formed by two or more persons having as members one or more general partners and one or more limited partners.

(ab) “Limited partnership interest” means the right of a general or limited partner to any of the following:

(1) To receive from a limited partnership any of the following:

(A) A share of the revenue.

(B) Any other compensation by way of income.

(C) A return of any or all of his or her contribution to capital of the limited partnership.

(2) To exercise any of the rights provided under state law.

(ac) “Owner licensee” means an owner of a gambling enterprise who holds a state gambling license.

(ad) “Person,” unless otherwise indicated, includes a natural person, corporation, partnership, limited partnership, trust, joint venture, association, or any other business organization.

(ae) “Player” means a patron of a gambling establishment who participates in a controlled game.

(af) “Player-dealer” and “controlled game featuring a player-dealer position” refer to a position in a controlled game, as defined by the approved rules for that game, in which seated player participants are afforded the temporary opportunity to wager against multiple players at the same table, provided that this position is rotated amongst the other seated players in the game.

(ag) “Publicly traded racing association” means a corporation licensed to conduct horse racing and simulcast wagering pursuant to Chapter 4 (commencing with Section 19400) whose stock is publicly traded.

(ah) “Qualified racing association” means a corporation licensed to conduct horse racing and simulcast wagering pursuant to Chapter 4 (commencing with Section 19400) that is a wholly owned subsidiary of a corporation whose stock is publicly traded.

(ai) “Renewal license” means the license issued to the holder of an initial license that authorizes the license to continue beyond the expiration date of the initial license.

(aj) “Work permit” means any card, certificate, or permit issued by the commission, or by a county, city, or city and county, whether denominated as a work permit, registration card, or otherwise, authorizing the holder to be employed as a gambling enterprise employee or to serve as an independent agent. A document issued by any governmental authority for any employment other than gambling is not a valid work permit for the purposes of this chapter.

#### **19806. Lotteries and Gaming; Unlawful conduct; Construction of Chapter**

Nothing in this chapter shall be construed in any way to permit or authorize any conduct made unlawful by Chapter 9 (commencing with Section 319) of, or Chapter 10 (commencing with Section 330) of, Title 9 of Part 1 of the Penal Code, or any local ordinance.

#### **19807. Venue**

Except as otherwise provided in this chapter, whenever the department or commission is a defendant or respondent in any proceeding, or when there is any legal challenge to regulations issued by the commission or department, venue for the proceeding shall be in the County of Sacramento, the City and County of San Francisco, the County of Los Angeles, or the County of San Diego.

## **Article 2. ADMINISTRATION**

### **19810. Exercise of Authority by Attorney General or Designee**

Except as otherwise provided in this chapter, any power or authority of the department described in this chapter may be exercised by the Attorney General or any other person as the Attorney General may delegate.

### **19811. California Gambling Control Commission; Members; Powers; Jurisdiction**

(a) There is in state government the California Gambling Control Commission, consisting of five members appointed by the Governor, subject to confirmation by the Senate. The California Gambling Control Commission shall succeed to all of the powers of the former California Gambling Control Board.

(b) Jurisdiction, including jurisdiction over operation and concentration, and supervision over gambling establishments in this state and over all persons or things having to do with the operations of gambling establishments is vested in the commission.

### **19812. Commission Members; Eligibility; Qualifications**

(a) Each member of the commission shall be a citizen of the United States and a resident of this state.

(b) No Member of the Legislature, no person holding any elective office in state, county, or local government, and no officer or official of any political party is eligible for appointment to the commission.

(c) No more than three of the five members of the commission shall be members of the same political party.

(d) A person is ineligible for appointment to the commission if, within two years prior to appointment, the person, or any partnership or corporation in which the person is a principal, was employed by, retained by, or derived substantial income from, any gambling establishment. For the purposes of this subdivision, "gambling establishment" means one or more rooms wherein any gaming within the meaning of Chapter 10 (commencing with Section 330) of Title 9 of

Part 1 of the Penal Code, or any controlled game within the meaning of Section 337j of the Penal Code, is conducted, whether or not the activity occurred in California.

(e) One member of the commission shall be a certified public accountant or a person with experience in banking or finance, one member shall be an attorney and a member of the State Bar of California with regulatory law experience, one member shall have a background in law enforcement and criminal investigation, one member shall have a background in business with at least five years of business experience or alternatively five years of governmental experience, and one member shall be from the public at large.

### **19813. Commission Members; Appointment; Terms; Vacancies; Removal**

(a) Of the members initially appointed, two shall be appointed for a term of two years, two shall be appointed for a term of three years, and one shall be appointed for a term of four years. After the initial terms, the term of office of each member of the commission is four years.

(b) The Governor shall appoint the members of the commission, subject to confirmation by the Senate, and shall designate one member to serve as chairperson. The initial appointments shall be made within three months of the operative date of this section. Thereafter, vacancies shall be filled within 60 days of the date of the vacancy by the Governor, subject to confirmation by the Senate.

(c) The Governor may remove any member of the commission for incompetence, neglect of duty, or corruption upon first giving him or her a copy of the charges and an opportunity to be heard.

**19814. Commission Members; Appointment; Terms; Vacancies; Removal and Members; Oath of Office; Pecuniary Interest in or doing Business with Licensee**

(a) During their terms of office, the members of the commission shall not engage in any other business, vocation, or employment.

(b) Before entering upon the duties of his or her office, the chief and each member of the commission shall subscribe to the constitutional oath of office and, in addition, swear that he or she is not, and during his or her term of office shall not be, pecuniarily interested in, or doing business with, any person, business, or organization holding a gambling license.

**19815. Members of commission; Salary**

(a) The members of the commission shall receive the salary provided for by Section 11553.5 of the Government Code.

(b) The chairperson of the commission shall receive the salary provided for by Section 11553 of the Government Code.

**19816. Executive Director and Deputy Executive Director; Eligibility; Salary; Duties; Staff Legislative Intent**

(a) The commission shall have an executive director appointed by the commission. A person is ineligible for appointment as executive director or deputy executive director if, within two years prior to appointment, the person, or any partnership or corporation in which the person is a principal, was employed by, retained by, or derived substantial income from, any gambling establishment, whether or not a controlled gambling establishment.

(b) The executive director shall receive the annual salary established by the commission and approved by the Department of Personnel Administration. The executive director shall be the commission's executive officer and shall carry out and execute the duties as specified by law and by the commission.

(c) The commission may appoint other staff and clerical personnel as necessary to carry out its duties under this chapter.

**19817. Gaming Policy Advisory Committee; Members; Meetings; Recommendations**

The commission shall establish and appoint a Gaming Policy Advisory Committee of 10 members. The committee shall be composed of representatives of controlled gambling licensees and members of the general public in equal numbers. The executive director shall, from time to time, convene the committee for the purpose of discussing matters of controlled gambling regulatory policy and any other relevant gambling-related issue. The recommendations concerning gambling policy made by the committee shall be presented to the commission, but shall be deemed advisory and not binding on the commission in the performance of its duties or functions. The committee may not advise the commission on Indian gaming.

**19818. Commission Investigation; Tax on Revenue; Regulation of Advertising;**

## **Report**

- (a) The commission shall investigate the following matters:
  - (1) The consequences, benefits, and disadvantages of imposing a state tax on revenue generated by licensed gambling establishments.
  - (2) Regulation of advertising for the purpose of limiting exposure of children to materials promoting gambling.
- (b) The commission shall report its findings to the Legislature and the Governor no later than January 1, 2005.

## **19819. Commission Office; Record of Votes; Meetings; Disclosure of Documents**

- (a) The commission shall establish and maintain a general office for the transaction of its business in Sacramento. The commission may hold meetings at any place within the state when the interests of the public may be better served.
- (b) A public record of every vote shall be maintained at the commission's principal office.
- (c) A majority of the membership of the commission is a quorum of the commission. The concurring vote of three members of the commission shall be required for any official action of the commission or for the exercise of any of the commission's duties, powers, or functions.
- (d) Except as otherwise provided in this chapter, Article 9 (commencing with Section 11120) of Chapter 1 of Part 1 of Division 3 of Title 2 of the Government Code applies to meetings of the commission. Notwithstanding Section 11125.1 of the Government Code, documents, which are filed with the commission by the department for the purpose of evaluating the qualifications of an applicant, are exempt from disclosure under Chapter 3.5 (commencing with Section 6250) of Division 7 of Title 1 of the Government Code.

## **19820. Attorneys; Appointment; Representation by Attorney General**

The commission may employ not more than eight attorneys. Nothing in this section shall be deemed to exempt the commission from the operation of Section 11040, 11042, or 11043 of the Government Code.

## **19821. Commission; Meetings; Record or Proceedings; Files and Records; Disclosure of Information; Violation; Penalty**

- (a) The commission shall cause to be made and kept a record of all proceedings at regular and special meetings of the commission. These records shall be open to public inspection.
- (b) The commission shall maintain a file of all applications for licenses under this chapter, together with a record of all actions taken with respect to those applications. The file and record shall be open to public inspection.
- (c) The department and commission may maintain any other files and records as they deem appropriate. Except as provided in this chapter, the records of the department and commission are exempt from disclosure under Chapter 3.5 (commencing with Section 6250) of Division 7 of Title 1 of the Government Code.
- (d) Except as necessary for the administration of this chapter, no commissioner and no official, employee, or agent of the commission or the department, having obtained access to confidential records or information in the performance of duties pursuant to this chapter, shall knowingly disclose or furnish the records or information, or any part thereof, to any person who is not authorized by law to receive it. A violation of this subdivision is a misdemeanor.
- (e) Notwithstanding subdivision (k) of Section 1798.24 of the Civil Code, a court shall not compel disclosure of personal information in the possession of the department or the

commission to any person in any civil proceeding wherein the department or the commission is not a party, except for good cause and upon a showing that the information cannot otherwise be obtained.

Nothing herein shall be construed to authorize the disclosure of personal information that would otherwise be exempt from disclosure.

**19822. State or Local Governmental Agency; Files, Records, and Reports; Availability to Department; Tax Information; Confidentiality; Inspection by Commission**

(a) All files, records, reports, and other information in possession of any state or local governmental agency that are relevant to an investigation by the department conducted pursuant to this chapter shall be made available to the department as requested. However, any tax information received from a governmental agency shall be used solely for effectuating the purposes of this chapter. To the extent that the files, records, reports, or information described in this section are confidential or otherwise privileged from disclosure under any law or exercise of discretion, they shall not lose that confidential or privileged status for having been disclosed to the department.

(b) All files, records, reports, and other information pertaining to gambling matters in the possession of the department shall be open at all times to inspection by the members of the commission.

**19823. Commission; Responsibilities; Licenses, Approvals, and Permits; Unqualified or Disqualified Persons**

(a) The responsibilities of the commission include, without limitation, all of the following:

(1) Assuring that licenses, approvals, and permits are not issued to, or held by, unqualified or disqualified persons, or by persons whose operations are conducted in a manner that is inimical to the public health, safety, or welfare.

(2) Assuring that there is no material involvement, directly or indirectly, with a licensed gambling operation, or the ownership or management thereof, by unqualified or disqualified persons, or by persons whose operations are conducted in a manner that is inimical to the public health, safety, or welfare.

(b) For the purposes of this section, "unqualified person" means a person who is found to be unqualified pursuant to the criteria set forth in Section 19857, and "disqualified person" means a person who is found to be disqualified pursuant to the criteria set forth in Section 19859.

**19824. Commission; Powers**

The commission shall have all powers necessary and proper to enable it fully and effectually to carry out the policies and purposes of this chapter, including, without limitation, the power to do all of the following:

(a) Require any person to apply for a license, permit, registration, or approval as specified in this chapter, or regulations adopted pursuant to this chapter.

(b) For any cause deemed reasonable by the commission, deny any application for a license, permit, or approval provided for in this chapter or regulations adopted pursuant to this chapter, limit, condition, or restrict any license, permit, or approval, or impose any fine upon any person licensed or approved.

(c) Approve or disapprove transactions, events, and processes as provided in this chapter.

(d) Take actions deemed to be reasonable to ensure that no ineligible, unqualified, disqualified, or unsuitable persons are associated with controlled gambling activities.

- (e) Take actions deemed to be reasonable to ensure that gambling activities take place only in suitable locations.
- (f) Grant temporary licenses, permits, or approvals on appropriate terms and conditions.
- (g) Institute a civil action in any superior court against any person subject to this chapter to restrain a violation of this chapter. An action brought against a person pursuant to this section does not preclude a criminal action or administrative proceeding against that person by the Attorney General or any district attorney or city attorney.
- (h) Issue subpoenas to compel attendance of witnesses and production of documents and other material things at a meeting or hearing of the commission or its committees, including advisory committees.

### **19825. Administrative Adjudication**

The commission may require that any matter that the commission is authorized or required to consider in a hearing or meeting of an adjudicative nature regarding the denial, suspension, or revocation of a license, permit, or a finding of suitability, be heard and determined in accordance with Chapter 5 (commencing with Section 11500) of Part 1 of Division 3 of Title 2 of the Government Code.

### **19826. Department Responsibilities; Monitoring Conduct; Investigating Violations and Complaints; Disciplinary Actions; Regulations; Play Approval; Game Rules; Reimbursement**

The department shall have all of the following responsibilities:

- (a) To investigate the qualifications of applicants before any license, permit, or other approval is issued, and to investigate any request to the commission for any approval that may be required pursuant to this chapter. The department may recommend the denial or the limitation, conditioning, or restriction of any license, permit, or other approval.
- (b) To monitor the conduct of all licensees and other persons having a material involvement, directly or indirectly, with a gambling operation or its holding company, for the purpose of ensuring that licenses are not issued or held by, and that there is no direct or indirect material involvement with, a gambling operation or holding company by ineligible, unqualified, disqualified, or unsuitable persons, or persons whose operations are conducted in a manner that is inimical to the public health, safety, or welfare.
- (c) To investigate suspected violations of this chapter or laws of this state relating to gambling, including any activity prohibited by Chapter 9 (commencing with Section 319) or Chapter 10 (commencing with Section 330) of Title 9 of Part 1 of the Penal Code.
- (d) To investigate complaints that are lodged against licensees, or other persons associated with a gambling operation, by members of the public.
- (e) To initiate, where appropriate, disciplinary actions as provided in this chapter. In connection with any disciplinary action, the department may seek restriction, limitation, suspension, or revocation of any license or approval, or the imposition of any fine upon any person licensed or approved.
- (f) To adopt regulations reasonably related to its functions and duties as specified in this chapter.
- (g) Approve the play of any controlled game, including placing restrictions and limitations on how a controlled game may be played. The department shall make available to the public the rules of play and the collection rates of each gaming activity approved for play at each gambling establishment on the Attorney General's Web site. Actual costs incurred by the department to review and approve game rules shall be reimbursed to the department by the licensee making the request.

**19827. Department; Powers; Investigations**

(a) The department has all powers necessary and proper to enable it to carry out fully and effectually the duties and responsibilities of the department specified in this chapter. The investigatory powers of the department include, but are not limited to, all of the following:

(1) Upon approval of the chief, and without notice or warrant, the department may take any of the following actions:

(A) Visit, investigate, and place expert accountants, technicians, and any other person, as it may deem necessary, in all areas of the premises wherein controlled gambling is conducted for the purpose of determining compliance with the rules and regulations adopted pursuant to this chapter.

(B) Visit, inspect, and examine all premises where gambling equipment is manufactured, sold, or distributed.

(C) Inspect all equipment and supplies in any gambling establishment or in any premises where gambling equipment is manufactured, sold, or distributed.

(D) Summarily seize, remove, and impound any equipment, supplies, documents, or records from any licensed premises for the purpose of examination and inspection. However, upon reasonable demand by the licensee or the licensee's authorized representative, a copy of all documents and records seized shall be made and left on the premises.

(E) Demand access to, and inspect, examine, photocopy, and audit all papers, books, and records of an owner licensee on the gambling premises in the presence of the licensee or his or her agent.

(2) Except as provided in paragraph (1), upon obtaining an inspection warrant pursuant to Section 1822.60 of the Code of Civil Procedure, the department may inspect and seize for inspection, examination, or photocopying any property possessed, controlled, bailed, or otherwise held by any applicant, licensee, or any intermediary company, or holding company.

(3) The department may investigate, for purposes of prosecution, any suspected criminal violation of this chapter. However, nothing in this paragraph limits the powers conferred by any other law on agents of the department who are peace officers.

(4) The department may do both of the following:

(A) Issue subpoenas to require the attendance and testimony of witnesses and the production of books, records, documents, and physical materials.

(B) Administer oaths, examine witnesses under oath, take evidence, and take depositions and affidavits or declarations. Notwithstanding Section 11189 of the Government Code, the department, without leave of court, may take the deposition of any applicant or any licensee. Sections 11185 and 11191 of the Government Code do not apply to a witness who is an applicant or a licensee.

(b) (1) Subdivision (a) shall not be construed to limit warrantless inspections except as required by the California Constitution or the United States Constitution.

(2) Subdivision (a) shall not be construed to prevent entries and administrative inspections, including seizures of property, without a warrant in the following circumstances:

(A) With the consent of the owner, operator, or agent in charge of the premises.

(B) In situations presenting imminent danger to health and safety.

(C) In situations involving inspection of conveyances where there is reasonable cause to believe that the mobility of the conveyance makes it impractical to obtain a warrant, or in any other exceptional or emergency circumstance where time or opportunity to apply for a warrant is lacking.

(D) In accordance with this chapter.

(E) In all other situations where a warrant is not constitutionally required.

**19828. Applicant, Licensee, or Registrant Communication or Document; Privilege; Release or Disclosure**

(a) Without limiting any privilege that is otherwise available under law, any communication or publication from, or concerning, an applicant, licensee, or registrant, in oral, written, or any other form, is absolutely privileged and so shall not form a basis for imposing liability for defamation or constitute a ground for recovery in any civil action, under any of the following circumstances:

(1) It was made or published by an agent or employee of the department or commission in the proper discharge of official duties or in the course of any proceeding under this chapter.

(2) It was required to be made or published to the department or commission, or any of their agents or employees, by law, regulation, or subpoena of the department or the commission.

(3) It was, in good faith, made or published to the department or the commission for the purpose of causing, assisting, or aiding an investigation conducted pursuant to this chapter.

(b) If any document or communication provided to the department or the commission contains any information that is privileged pursuant to Division 8 (commencing with Section 900) of the Evidence Code, or any other provision of law, that privilege is not waived or lost because the document or communication is disclosed to the department or the commission or to any of their agents or employees.

(c) The department, the commission, and their agents and employees shall not release or disclose any information, documents, or communications provided by an applicant, licensee, or other person, that are privileged pursuant to Division 8 (commencing with Section 900) of the Evidence Code, or any other provision of law, without the prior written consent of the holder of the privilege, or pursuant to lawful court order after timely notice of the proceedings has been given to the holder of the privilege. An application to a court for an order requiring the department or the commission to release any information declared by law to be confidential shall be made only upon motion made in writing on not less than 10-business days' notice to the department or the commission, and to all persons who may be affected by the entry of the order.

**19829. District Attorneys and State and Local Law Enforcement Agencies; Report to Department; Investigation or Prosecution; Appearance of Gambling Law Violation**

Every district attorney, and every state and local law enforcement agency, shall furnish to the department, on forms prepared by the department, all information obtained during the course of any substantial investigation or prosecution of any person, as determined by the department, if it appears that a violation of any law related to gambling has occurred, including any violation of Chapter 9 (commencing with Section 319) or Chapter 10 (commencing with Section 330) of Title 9 of Part 1 of the Penal Code.

### **19830. Gambling Control Fund; Investigative Account**

There is an investigative account within the Gambling Control Fund. All funds received for the purpose of paying expenses incurred by the department for investigation of an application for a license or approval under this chapter shall be deposited in the account. Expenses may be advanced from the investigative account to the department by the chief.

## **Article 3. REGULATIONS**

### **19840. Adoption; Filing; Duration**

The commission may adopt regulations for the administration and enforcement of this chapter. To the extent appropriate, regulations of the commission and the department shall take into consideration the operational differences of large and small establishments.

### **19841. Content Requirements**

The regulations adopted by the commission shall do all of the following:

(a) With respect to applications, registrations, investigations, and fees, the regulations shall include, but not be limited to, provisions that do all of the following:

(1) Prescribe the method and form of application and registration.

(2) Prescribe the information to be furnished by any applicant, licensee, or registrant concerning, as appropriate, the person's personal history, habits, character, associates, criminal record, business activities, organizational structure, and financial affairs, past or present.

(3) Prescribe the information to be furnished by an owner licensee relating to the licensee's gambling employees.

(4) Require fingerprinting or other methods of identification of an applicant, licensee, or employee of a licensee.

(5) Prescribe the manner and method of collection and payment of fees and issuance of licenses.

(b) Provide for the approval of game rules and equipment by the department to ensure fairness to the public and compliance with state laws.

(c) Implement the provisions of this chapter relating to licensing and other approvals.

(d) Require owner licensees to report and keep records of transactions, including transactions as determined by the department, involving cash or credit. The regulations may include, without limitation, regulations requiring owner licensees to file with the department reports similar to those required by Sections 5313 and 5314 of Title 31 of the United States Code, and by Sections 103.22 and 103.23 of Title 31 of the Code of Federal Regulations, and any successor provisions thereto, from financial institutions, as defined in Section 5312 of Title 31 of the United States Code and Section 103.11 of Title 31 of the Code of Federal Regulations, and any successor provisions.

(e) Provide for the receipt of protests and written comments on an application by public agencies, public officials, local governing bodies, or residents of the location of the gambling establishment or future gambling establishment.

(f) Provide for the disapproval of advertising by licensed gambling establishments that is determined by the department to be deceptive to the public. Regulations adopted by the commission for advertising by licensed gambling establishments shall be consistent with the advertising regulations adopted by the California Horse Racing Board and the Lottery Commission. Advertisement that appeals to children or adolescents or that offers gambling as a means of becoming wealthy is presumptively deceptive.

(g) Govern all of the following:

- (1) The extension of credit.
  - (2) The cashing, deposit, and redemption of checks or other negotiable instruments.
  - (3) The verification of identification in monetary transactions.
- (h) Prescribe minimum procedures for adoption by owner licensees to exercise effective control over their internal fiscal and gambling affairs, which shall include, but not be limited to, provisions for all of the following:
- (1) The safeguarding of assets and revenues, including the recording of cash and evidences of indebtedness.
  - (2) Prescribing the manner in which compensation from games and gross revenue shall be computed and reported by an owner licensee.
  - (3) The provision of reliable records, accounts, and reports of transactions, operations, and events, including reports to the department.
- (i) Provide for the adoption and use of internal audits, whether by qualified internal auditors or by certified public accountants. As used in this subdivision, “internal audit” means a type of control that operates through the testing and evaluation of other controls and that is also directed toward observing proper compliance with the minimum standards of control prescribed in subdivision (h).
- (j) Require periodic financial reports from each owner licensee.
- (k) Specify standard forms for reporting financial conditions, results of operations, and other relevant financial information.
- (l) Formulate a uniform code of accounts and accounting classifications to ensure consistency, comparability, and effective disclosure of financial information.
- (m) Prescribe intervals at which the information in subdivisions (j) and (k) shall be furnished to the department.
- (n) Require audits to be conducted, in accordance with generally accepted auditing standards, of the financial statements of all owner licensees whose annual gross revenues equal or exceed a specified sum. However, nothing herein shall be construed to limit the department’s authority to require audits of any owner licensee. Audits, compilations, and reviews provided for in this subdivision shall be made by independent certified public accountants licensed to practice in this state.
- (o) Restrict, limit, or otherwise regulate any activity that is related to the conduct of controlled gambling, consistent with the purposes of this chapter.
- (p) Define and limit the area, games, hours of operation, number of tables, wagering limits, and equipment permitted, or the method of operation of games and equipment, if the commission, upon the recommendation of, or in consultation with, the department, determines that local regulation of these subjects is insufficient to protect the health, safety, or welfare of residents in geographical areas proximate to a gambling establishment.
- (q) Prohibit gambling establishments from cashing checks drawn against any federal, state, or county fund, including, but not limited to, social security, unemployment insurance, disability payments, or public assistance payments. However, a gambling establishment shall not be prohibited from cashing any payroll checks or checks for the delivery of goods or services that are drawn against a federal, state, or county fund. Gambling establishments shall send the department copies of all dishonored or uncollectible checks at the end of each quarter.
- (r) Provide for standards, specifications, and procedures governing the manufacture, distribution, including the sale and leasing, inspection, testing, location, operation, repair, and storage of gambling equipment, and for the licensing of persons engaged in the

business of manufacturing, distributing, including the sale and leasing, inspection, testing, repair, and storage of gambling equipment.

**19842. Prohibition of Play of Game or Restriction in Manner of Play; Violation of law or Ordinance; Construction; Emergency Regulations**

(a) The commission shall not prohibit, on a statewide basis, the play of any game or restrict the manner in which any game is played, unless the commission, in a proceeding pursuant to this article, finds that the game, or the manner in which the game is played, violates a law of the United States, a law of this state, or a local ordinance.

(b) Nothing in this section shall be construed to limit the powers of the commission in a proceeding against a licensee pursuant to Article 10 (commencing with Section 19930).

(c) No regulation prohibiting a game or the manner in which a game is played shall be deemed to be an emergency regulation.

**19843. Placement of Wager on Controlled Game by Person at Table**

The commission shall not prohibit, on a statewide basis, the placing of a wager on a controlled game by a person at a gaming table, if the person is present at the table and actively participating in the hand with a single-seated player upon whose hand the wagers are placed.

**19844. Exclusion or Ejection of individuals from gaming establishments; formulation of list; distribution; petition; action against licensee**

(a) The commission shall, by regulation, provide for the formulation of a list of persons who are to be excluded or ejected from any gambling establishment. The list may include any person whose presence in the establishment is determined by the commission to pose a threat to the interests of this state or to controlled gambling, or both.

(b) In making the determination described in subdivision (a), the commission may consider, but is not limited to considering, any of the following:

(1) Prior conviction of a crime that is a felony in this state or under the laws of the United States, a crime involving moral turpitude, or a violation of the gambling laws of this or any other state.

(2) The violation of, or conspiracy to violate, the provisions of this chapter relating to the failure to disclose an interest in a gambling establishment for which the person is required to obtain a license, or the willful evasion of fees.

(3) A notorious or unsavory reputation that would adversely affect public confidence and trust that the gambling industry is free from criminal or corruptive elements.

(4) An order of exclusion or ejection from a racing enclosure issued by the California Horse Racing Board.

(c) The commission shall distribute the list of persons who are to be excluded or ejected from any gambling establishment to all owner licensees and shall provide notice to any persons included on the list.

(d) The commission shall adopt regulations establishing procedures for hearing of petitions by persons who are ejected or excluded from licensed premises pursuant to this section or pursuant to Section 19845.

(e) The commission may revoke, limit, condition, or suspend the license of an owner, or fine an owner licensee, if that licensee knowingly fails to exclude or eject from the gambling establishment of that licensee any person included on the list of persons to be excluded or ejected.

**19845. Removal of Persons from Licensed Premises; Reasons**

(a) A licensee may remove from his or her licensed premises any person who, while on the premises:

- (1) Is a disorderly person, as defined by Section 647 of the Penal Code.
- (2) Interferes with a lawful gambling operation.
- (3) Solicits or engages in any act of prostitution.
- (4) Begs, is boisterous, or is otherwise offensive to other persons.
- (5) Commits any public offense.
- (6) Is intoxicated.
- (7) Is a person who the commission, pursuant to regulation, has determined should be excluded from licensed gambling establishments in the public interest.

(b) Nothing in this section shall be deemed, expressly or impliedly, to preclude a licensee from exercising the right to deny access to or to remove any person from its premises or property for any reason the licensee deems appropriate.

**19846. Civil Liability**

(a) Notwithstanding any other provision of law and except as provided in subdivision (b), a gambling establishment that ejects or excludes an individual based upon Section 19844 or 19845 is not subject to civil liability for a mistake as to the grounds for ejecting or excluding a person if the ejection or exclusion was based upon a reasonable and good faith belief, after a reasonable investigation, that these sections applied to the individual in question.

(b) Notwithstanding subdivision (a), a gambling establishment may not be relieved from liability for any damages arising from the means of ejection or exclusion.

**Article 4. LICENSING**

**19850. State Gambling License, Key Employee License, or Work Permit; Requirements; Violation; Punishment**

Every person who, either as owner, lessee, or employee, whether for hire or not, either solely or in conjunction with others, deals, operates, carries on, conducts, maintains, or exposes for play any controlled game in this state, or who receives, directly or indirectly, any compensation or reward, or any percentage or share of the money or property played, for keeping, running, or carrying on any controlled game in this state, shall apply for and obtain from the commission, and shall thereafter maintain, a valid state gambling license, key employee license, or work permit, as specified in this chapter. In any criminal prosecution for violation of this section, the punishment shall be as provided in Section 337j of the Penal Code.

**19851. State Gambling License; Owner of Gambling Enterprise; Endorsement on License**

(a) The owner of a gambling enterprise shall apply for and obtain a state gambling license.

(b) Other persons who also obtain a state gambling license, or key employee license, as required by this chapter, shall not receive a separate license certificate, but the license of every such person shall be endorsed on the license that is issued to the owner of the gambling enterprise.

(c) Notwithstanding subdivision (b), this section shall not apply to key employee licenses issued on or after July 1, 2008, or the effective date of the process established pursuant to

subdivision (d) of Section 19854 to make key employee licenses personal and portable, whichever is sooner.

**19852. Owner Not Natural Person; Eligibility for State Gambling License; Individual Licenses**

Except as provided in Section 19852.2, an owner of a gambling enterprise that is not a natural person shall not be eligible for a state gambling license unless each of the following persons individually applies for and obtains a state gambling license:

(a) If the owner is a corporation, then each officer, director, and shareholder, other than a holding or intermediary company, of the owner. The foregoing does not apply to an owner that is either a publicly traded racing association or a qualified racing association.

(b) If the owner is a publicly traded racing association, then each officer, director, and owner, other than an institutional investor, of 5 percent or more of the outstanding shares of the publicly traded corporation.

(c) If the owner is a qualified racing association, then each officer, director, and shareholder, other than an institutional investor, of the subsidiary corporation and any owner, other than an institutional investor, of 5 percent or more of the outstanding shares of the publicly traded corporation.

(d) If the owner is a partnership, then every general and limited partner of, and every trustee or person, other than a holding or intermediary company, having or acquiring a direct or beneficial interest in, that partnership owner.

(e) If the owner is a trust, then the trustee and, in the discretion of the commission, any beneficiary and the trustor of the trust.

(f) If the owner is a business organization other than a corporation, partnership, or trust, then all those persons as the commission may require, consistent with this chapter.

(g) Each person who receives, or is to receive, any percentage share of the revenue earned by the owner from gambling activities.

(h) Every employee, agent, guardian, personal representative, lender, or holder of indebtedness of the owner who, in the judgment of the commission, has the power to exercise a significant influence over the gambling operation.

**19852.2** (a) Notwithstanding Section 19852 or any other provision of law to the contrary, and solely for the purpose of the licensure of a card club located on the grounds of a racetrack that is owned by a limited partnership that also owns the racetrack, the commission, in its discretion, may exempt from the licensing requirements of this chapter:

(1) The limited partners in a limited partnership that holds interest in a holding company if all of the following criteria are met:

(A) The limited partners of the limited partnership in the aggregate directly hold at least 95 percent of the interest in the holding company.

(B) The limited partner is one of the following:

(i) An “institutional investor” as defined in subdivision (s) of Section 19805.

(ii) An “employee benefit plan” as defined in Section 1002(3) of Title 29 of the United States Code.

(iii) An investment company that manages a state university endowment.

(2) Other limited partners in a limited partnership described in paragraph (1), if the partners do not number more than five and each partner indirectly owns one percent or less of the shares of the interest in the holding company.

(3) A limited partner in a limited partnership that holds in the aggregate less than 5 percent of the interest in a holding company.

(b) Nothing in this section shall be construed to limit the licensure requirements for a general partner of a limited partnership or a limited partner that is not specifically described in this section.

**19853. Registration, Finding of Suitability, or Gambling License; Commission or Department Requirement of Certain Individuals or Corporations**

(a) The commission, by regulation or order, may require that the following persons register with the commission, apply for a finding of suitability as defined in subdivision (i) of Section 19805, or apply for a gambling license:

(1) Any person who furnishes any services or any property to a gambling enterprise under any arrangement whereby that person receives payments based on earnings, profits, or receipts from controlled gambling.

(2) Any person who owns an interest in the premises of a licensed gambling establishment or in real property used by a licensed gambling establishment.

(3) Any person who does business on the premises of a licensed gambling establishment.

(4) Any person who is an independent agent of, or does business with, a gambling enterprise as a ticket purveyor, a tour operator, the operator of a bus program, or the operator of any other type of travel program or promotion operated with respect to a licensed gambling establishment.

(5) Any person who provides any goods or services to a gambling enterprise for compensation that the commission finds to be grossly disproportionate to the value of the goods or services provided.

(6) Every person who, in the judgment of the commission, has the power to exercise a significant influence over the gambling operation.

(b) The department may conduct any investigation it deems necessary to determine whether a publicly traded corporation is, or has, engaged in activities specified in paragraph (2), (3), or (4) of subdivision (a), and shall report its findings to the commission. If a publicly traded corporation is engaged in activities described in paragraph (2), (3), or (4) of subdivision (a), the commission may require the corporation and the following other persons to apply for and obtain a license or finding of suitability:

(1) Any officer or director.

(2) Any owner, other than an institutional investor, of 5 percent or more of the outstanding shares of the corporation.

**19854. Key Employee License; Positions; Qualifications**

(a) Every key employee shall apply for and obtain a key employee license.

(b) No person may be issued a key employee license unless the person would qualify for a state gambling license.

(c) A key employee license shall entitle the holder to work as a key employee in any key employee position at any gambling establishment, provided that the key employee terminates employment with one gambling establishment before commencing work for another.

(d) The commission shall establish a program for portable personal licenses for key employees, as well as a process by which valid key employee licenses then in effect shall be converted to personal portable licenses. The commission may, as part of that process, establish a fee to be paid by a key employee when seeking a personal portable license. The

commission shall seek to implement the requirements imposed by this subdivision on or before July 1, 2008.

**19855. License Required Prior to Activity; Period to File Application**

Except as otherwise provided by statute or regulation, every person who, by statute or regulation, is required to hold a state license shall obtain the license prior to engaging in the activity or occupying the position with respect to which the license is required. Every person who, by order of the commission, is required to apply for a gambling license or a finding of suitability shall file the application within 30 calendar days after receipt of the order.

**19856. License Issuance; Burden of Proving Qualifications; Considerations**

(a) Any person who the commission determines is qualified to receive a state license, having due consideration for the proper protection of the health, safety, and general welfare of the residents of the State of California and the declared policy of this state, may be issued a license. The burden of proving his or her qualifications to receive any license is on the applicant.

(b) An application to receive a license constitutes a request for a determination of the applicant's general character, integrity, and ability to participate in, engage in, or be associated with, controlled gambling.

(c) In reviewing an application for any license, the commission shall consider whether issuance of the license is inimical to public health, safety, or welfare, and whether issuance of the license will undermine public trust that the gambling operations with respect to which the license would be issued are free from criminal and dishonest elements and would be conducted honestly.

**19857. License Issuance; Applicant Qualification Requirements**

No gambling license shall be issued unless, based on all of the information and documents submitted, the commission is satisfied that the applicant is all of the following:

(a) A person of good character, honesty, and integrity.

(b) A person whose prior activities, criminal record, if any, reputation, habits, and associations do not pose a threat to the public interest of this state, or to the effective regulation and control of controlled gambling, or create or enhance the dangers of unsuitable, unfair, or illegal practices, methods, and activities in the conduct of controlled gambling or in the carrying on of the business and financial arrangements incidental thereto.

(c) A person that is in all other respects qualified to be licensed as provided in this chapter.

**19858. License to Own Gambling Establishment; Financial Interest in Prohibited Forms of Gambling; Application**

(a) Except as provided in subdivision (b), a person shall be deemed to be unsuitable to hold a state gambling license to own a gambling establishment if the person, or any partner, officer, director, or shareholder of the person, has any financial interest in any business or organization that is engaged in any form of gambling prohibited by Section 330 of the Penal Code, whether within or without this state.

(b) Subdivision (a) does not apply to a publicly traded racing association, a qualified racing association, or any person who is licensed pursuant to subdivision (b) or (c) of Section 19852.

**19858.5.** Notwithstanding Section 19858, the commission may, pursuant to this chapter, deem an applicant or licensee suitable to hold a state gambling license even if the applicant or licensee has a financial interest in another business that conducts lawful gambling outside the state that, if conducted within California, would be unlawful, provided that an applicant or licensee may not own, either directly or indirectly, more than a 1 percent interest in, or have control of, that business.

**19859. License Denial; Applicant Disqualification**

The commission shall deny a license to any applicant who is disqualified for any of the following reasons:

- (a) Failure of the applicant to clearly establish eligibility and qualification in accordance with this chapter.
- (b) Failure of the applicant to provide information, documentation, and assurances required by this chapter or requested by the chief, or failure of the applicant to reveal any fact material to qualification, or the supplying of information that is untrue or misleading as to a material fact pertaining to the qualification criteria.
- (c) Conviction of a felony, including a conviction by a federal court or a court in another state for a crime that would constitute a felony if committed in California.
- (d) Conviction of the applicant for any misdemeanor involving dishonesty or moral turpitude within the 10-year period immediately preceding their submission of the application, unless the applicant has been granted relief pursuant to Section 1203.4, 1203.4a, or 1203.45 of the Penal Code; provided, however, that the granting of relief pursuant to Section 1203.4, 1203.4a, or 1203.45 of the Penal Code shall not constitute a limitation on the discretion of the commission under Section 19856 or affect the applicant's burden under Section 19857.
- (e) Association of the applicant with criminal profiteering activity or organized crime, as defined by Section 186.2 of the Penal Code.
- (f) Contumacious defiance by the applicant of any legislative investigatory body, or other official investigatory body of any state or of the United States, when that body is engaged in the investigation of crimes relating to gambling; official corruption related to gambling activities; or criminal profiteering activity or organized crime, as defined by Section 186.2 of the Penal Code.
- (g) The applicant is less than 21 years of age.

**19860. License Denial; Establishment in Location without Required Ordinance**

- (a) The commission shall deny a gambling license with respect to any gambling establishment that is located in a city, county, or city and county that does not have an ordinance governing all of the following matters:
  - (1) The hours of operation of gambling establishments.
  - (2) Patron security and safety in and around the gambling establishments.
  - (3) The location of gambling establishments.
  - (4) Wagering limits in gambling establishments.
  - (5) The number of gambling tables in each gambling establishment and in the jurisdiction.
- (b) In any city, county, or city and county in which the local gambling ordinance does not govern the matters specified in subdivision (a), any amendment to the ordinance to govern those matters is not subject to Section 19961, provided that a local election is required to add these matters, and the ordinance only provides for private clubs by vote of the people, and that the ordinance is amended to contain these matters on or before July 1, 2000.

**19861. Denial of License; Criteria**

Notwithstanding subdivision (i) of Section 19801, the commission shall not deny a license to a gambling establishment solely because it is not open to the public, provided that all of the following are true:

(a) the gambling establishment is situated in a local jurisdiction that has an ordinance allowing only private clubs, and the gambling establishment was in operation as a private club under that ordinance on December 31, 1997, and met all applicable state and local gaming registration requirements;

(b) the gambling establishment consists of no more than five gaming tables;

(c) videotaped recordings of the entrance to the gambling room or rooms and all tables situated therein are made during all hours of operation by means of closed circuit television cameras, and these tapes are retained for a period of 30 days and are made available for review by the department or commission upon request; and

(d) the gambling establishment is open to members of the private club and their spouses in accordance with membership criteria in effect as of December 31, 1997. A gambling establishment meeting these criteria, in addition to the other requirements of this chapter, may be licensed to operate as a private club gambling establishment until November 30, 2003, or until the ownership or operation of the gambling establishment changes from the ownership or operation as of January 1, 1998, whichever occurs first. Operation of the gambling establishments after this date shall only be permitted if the local jurisdiction approves an ordinance, pursuant to Sections 19961 and 19962, authorizing the operation of gambling establishments that are open to the public. The commission shall adopt regulations implementing this section. Prior to the commission's issuance of a license to a private club, the department shall ensure that the ownership of the gambling establishment has remained constant since January 1, 1998, and the operation of the gambling establishment has not been leased to any third party.

**19862. License Denial; Consideration by Commission; Additional Grounds**

(a) In addition to other grounds stated in this chapter, the commission may deny a gambling license for any of the following reasons:

(1) If issuance of the license with respect to the proposed gambling establishment or expansion would tend unduly to create law enforcement problems in a city, county, or city and county other than the city, county, or city and county that has regulatory jurisdiction over the applicant's premises.

(2) If an applicant fails to conduct an economic feasibility study that demonstrates to the satisfaction of the commission that the proposed gambling establishment will be economically viable, and that the owners have sufficient resources to make the gambling establishment successful. The commission shall hold a public hearing for the purpose of reviewing the feasibility study. All papers, studies, projections, pro formas, and other materials filed with the commission pursuant to an economic feasibility study are public records and shall be disclosed to all interested parties.

(3) If issuance of the license is sought in respect to a new gambling establishment, or the expansion of an existing gambling establishment, that is to be located or is located near an existing school, an existing building used primarily as a place of worship, an existing playground or other area of juvenile congregation, an existing hospital, convalescence facility, or near another similarly unsuitable area, as determined by regulation of the commission, which is located in a city, county, or city and county other than the city, county, or city

and county that has regulatory jurisdiction over the applicant's gambling premises.

(b) For the purposes of this section, "expansion" means an increase of 25 percent or more in the number of authorized gambling tables in a gambling establishment, based on the number of gambling tables for which a license was initially issued pursuant to this chapter.

**19863. Publicly Traded Association or Qualified Racing Association; Gaming Establishment**

A publicly traded racing association or a qualified racing association shall be allowed to operate only one gaming establishment, and the gaming establishment shall be located on the same premises as the entity's racetrack.

**19864. State License Application; Forms; Content**

(a) Application for a state license or other commission action shall be made on forms furnished by the commission.

(b) The application for a gambling license shall include all of the following:

- (1) The name of the proposed licensee.
- (2) The name and location of the proposed gambling establishment.
- (3) The gambling games proposed to be conducted.
- (4) The names of all persons directly or indirectly interested in the business and the nature of the interest.
- (5) A description of the proposed gambling establishment and operation.
- (6) Any other information and details the commission may require in order to discharge its duty properly.

**19865. Supplemental Forms; Content**

The department shall furnish to the applicant supplemental forms, which the applicant shall complete and file with the department. These supplemental forms shall require, but shall not be limited to requiring, complete information and details with respect to the applicant's personal history, habits, character, criminal record, business activities, financial affairs, and business associates, covering at least a 10-year period immediately preceding the date of filing of the application. Each applicant shall submit two sets of fingerprints, using "live scan" or other prevailing, accepted technology, or on forms provided by the department. The department may submit one fingerprint card to the United States Federal Bureau of Investigation.

**19866. Information Disclosure by Applicant**

An applicant for licensing or for any approval or consent required by this chapter, shall make full and true disclosure of all information to the department and the commission as necessary to carry out the policies of this state relating to licensing, registration, and control of gambling.

**19867. Deposit; Costs and Charges of Investigation; Refund; Accounting**

(a) An application for a license or a determination of suitability shall be accompanied by the deposit of a sum of money that, in the judgment of the chief, will be adequate to pay the anticipated costs and charges incurred in the investigation and processing of the application. The chief shall adopt a schedule of costs and charges of investigation for use

as guidelines in fixing the amount of any required deposit under this section. The schedule shall distinguish between initial and renewal licenses with respect to costs and charges.

(b) During an investigation, the chief may require an applicant to deposit any additional sums as are required by the department to pay final costs and charges of the investigation.

(c) Any money received from an applicant in excess of the costs and charges incurred in the investigation or the processing of the application shall be refunded pursuant to regulations adopted by the department. At the conclusion of the investigation, the chief shall provide the applicant a written, itemized accounting of the costs and charges thereby incurred.

#### **19868. Investigation; Commencement; Conclusion; Denial without Prejudice**

(a) Within a reasonable time after the filing of an application and any supplemental information the department may require, and the deposit of any fee required pursuant to Section 19867, the department shall commence its investigation of the applicant and, for that purpose, may conduct any proceedings it deems necessary. To the extent practicable, all applications shall be acted upon within 180 calendar days of the date of submission of a completed application. If an investigation has not been concluded within 180 days after the date of submission of a completed application, the department shall inform the applicant in writing of the status of the investigation and shall also provide the applicant with an estimated date on which the investigation may reasonably be expected to be concluded.

(b) If denial of the application is recommended, the chief shall prepare and file with the commission his or her written reasons upon which the recommendation is based.

(1) Prior to filing his or her recommendation with the commission, the chief shall meet with the applicant, or the applicant's duly authorized representative, and inform him or her generally of the basis for any proposed recommendation that the application be denied, restricted, or conditioned.

(2) Not less than 10 business days prior to the meeting of the commission at which the application is to be considered, the department shall deliver to the applicant a summary of the chief's final report and recommendation.

(3) This section neither requires the department to divulge to the applicant any confidential information received from any law enforcement agency or any information received from any person with assurances that the information would be maintained confidential, and nor to divulge any information that might reveal the identity of any informer or jeopardize the safety of any person.

(c) A recommendation of denial of an application shall be without prejudice to a new and different application filed in accordance with applicable regulations.

#### **19869. Request for Withdrawal of Application; Denial; Grant with Prejudice; Fee Refund**

A request for withdrawal of any application may be made at any time prior to final action upon the application by the chief by the filing of a written request to withdraw with the commission. For the purposes of this section, final action by the department means a final determination by the chief regarding his or her recommendation on the application to the commission. The commission shall not grant the request unless the applicant has established that withdrawal of the application would be consistent with the public interest and the policies of this chapter. If a request for withdrawal is denied, the department may go forward with its investigation and make a recommendation to the commission upon the application, and the commission may act upon the application as if no request for

withdrawal had been made. If a request for withdrawal is granted with prejudice, the applicant thereafter shall be ineligible to renew its application until the expiration of one year from the date of the withdrawal. Unless the commission otherwise directs, no fee or other payment relating to any application is refundable by reason of withdrawal of an application.

**19870. Commission Authority to Deny or Grant License; Restrictions; Statement of Reasons for Denial; Record of Meeting Proceedings; Review by Petition**

(a) The commission, after considering the recommendation of the chief and any other testimony and written comments as may be presented at the meeting, or as may have been submitted in writing to the commission prior to the meeting, may either deny the application or grant a license to an applicant who it determines to be qualified to hold the license.

(b) When the commission grants an application for a license or approval, the commission may limit or place restrictions thereon as it may deem necessary in the public interest, consistent with the policies described in this chapter.

(c) When an application is denied, the commission shall prepare and file a detailed statement of its reasons for the denial.

(d) All proceedings at a meeting of the commission relating to a license application shall be recorded stenographically or on audiotape or videotape.

(e) A decision of the commission denying a license or approval, or imposing any condition or restriction on the grant of a license or approval may be reviewed by petition pursuant to Section 1085 of the Code of Civil Procedure. Section 1094.5 of the Code of Civil Procedure shall not apply to any judicial proceeding described in the foregoing sentence, and the court may grant the petition only if the court finds that the action of the commission was arbitrary and capricious, or that the action exceeded the commission's jurisdiction.

**19871. Commission Meeting; Conduct**

(a) The commission meeting described in Section 19870 shall be conducted in accordance with regulations of the commission and as follows:

(1) Oral evidence shall be taken only upon oath or affirmation.

(2) Each party shall have all of the following rights:

(A) To call and examine witnesses.

(B) To introduce exhibits relevant to the issues of the case.

(C) To cross-examine opposing witnesses on any matters relevant to the issues, even though the matter was not covered on direct examination.

(D) To impeach any witness, regardless of which party first called the witness to testify.

(E) To offer rebuttal evidence.

(3) If the applicant does not testify in his or her own behalf, he or she may be called and examined as if under cross-examination.

(4) The meeting need not be conducted according to technical rules relating to evidence and witnesses. Any relevant evidence may be considered, and is sufficient in itself to support a finding, if it is the sort of evidence on which responsible persons are accustomed to rely in the conduct of serious affairs, regardless of the existence of any common law or statutory rule that might make improper the admission of that evidence over objection in a civil action.

(b) Nothing in this section confers upon an applicant a right to discovery of the department's investigative reports or to require disclosure of any document or information the disclosure of which is otherwise prohibited by any other provision of this chapter.

**19872. Ex Parte Communications; Disqualification of Commission Members; Application Denial**

(a) No member of the commission may communicate ex parte, directly or indirectly, with any applicant, or any agent, representative, or person acting on behalf of an applicant, upon the merits of an application for a license, permit, registration, or approval while the application is pending disposition before the department or the commission.

(b) No applicant, or any agent, representative, or person acting on behalf of an applicant, and no person who has a direct or indirect interest in the outcome of a proceeding to consider an application for a license, permit, registration, or approval may communicate ex parte, directly or indirectly, with any member of the commission, upon the merits of the application while the application is pending disposition before the department.

(c) No employee or agent of the department, applicant, or any agent, representative, or person acting on behalf of an applicant, and no person who has a direct or indirect interest in the outcome of a proceeding to consider an application for a license, permit, registration, or approval may communicate ex parte, directly or indirectly, with any member of the commission, upon the merits of the application, while the application is pending disposition before the commission.

(d) The receipt by a member of the commission of an ex parte communication prohibited by this section may provide the basis for disqualification of that member or the denial of the application. The commission shall adopt regulations to implement this subdivision.

(e) For the purposes of this subdivision, "ex parte" means a communication without notice and opportunity for all parties to participate in the communication.

(f) Nothing in this section precludes a communication made on the record at a public hearing on a properly agendized matter.

**19873. License Assignment or Transfer**

No license may be assigned or transferred either in whole or in part.

**19874. License Issue and Delivery; Terms and Conditions**

Subject to subdivision (b) of Section 19851, the commission shall issue and deliver to the applicant a license entitling the applicant to engage in the activity for which the license is issued, together with an enumeration of any specific terms and conditions of the license if both of the following conditions have been met:

(a) The commission is satisfied that the applicant is eligible and qualified to receive the license.

(b) All license fees required by statute and by regulations of the commission have been paid.

**19875. Owner's Gambling License; Posting**

An owner's gambling license shall be posted at all times in a conspicuous place in the area where gambling is conducted in the establishment for which the license is issued until it is replaced by a succeeding license.

**19876. License Renewal; Application; Fees; Penalties; Closure of Premises**

(a) Subject to the power of the commission to deny, revoke, suspend, condition, or limit any license, as provided in this chapter, a license shall be renewed upon application for renewal and payment of state gambling fees as required by statute or regulation. Licenses renewed on or before July 31, 2008, shall be for the renewal period in effect at the time of the renewal but shall not expire any sooner than 15 months after the approval of the renewal application. Licenses renewed on or after August 1, 2008, shall expire 24 months after the date of the approval of the renewal application or after the expiration of the prior license, whichever is later.

(b) An application for renewal of a gambling license shall be filed by the owner licensee or key employee with the commission no later than 120 calendar days prior to the expiration of the current license. The commission shall act upon any application for renewal prior to the date of expiration of the current license. Upon renewal of any owner license, the commission shall issue an appropriate renewal certificate or validating device or sticker.

(c) Unless the commission determines otherwise, renewal of an owner's gambling license shall be deemed to effectuate the renewal of every other gambling license endorsed thereon.

(d) In addition to the penalties provided by law, any owner licensee who deals, operates, carries on, conducts, maintains, or exposes for play any gambling game after the expiration date of the gambling license is liable to the state for all license fees and penalties that would have been due upon renewal.

(e) If an owner licensee fails to renew the gambling license as provided in this chapter, the commission may order the immediate closure of the premises and a cessation of all gambling activity therein until the license is renewed.

**19877. Failure to File Renewal Application; Surrender of License; Renewal on Fee Payment**

The failure of an owner licensee to file an application for renewal before the date specified in this chapter may be deemed a surrender of the license. A license has not been renewed within the meaning of this section until all required renewal fees have been paid.

**19878. Contract with or Employment of Person Denied License or with a Suspended or Revoked License or an Application Withdrawn with Prejudice; Termination or Suspension of Employee; Remuneration for Services; Contract Provisions**

(a) Neither an owner licensee, nor a California affiliate of an owner licensee, shall enter into, without prior approval of the commission, any contract or agreement with a person who is denied a license, or whose license is suspended or revoked by the commission, or with any business enterprise under the control of that person, after the date of receipt of notice of the commission's action.

(b) An owner licensee or an affiliate of the owner licensee shall not employ, without prior approval of the commission, any person in any capacity for which he or she is required to be licensed, if the person has been denied a license, or if his or her license has been suspended or revoked after the date of receipt of notice of the action by the commission. Neither an owner licensee, nor a California affiliate of an owner licensee, without with a person whose application has been withdrawn with prejudice, or with any business enterprise under the control of that person, for the period of time during which the person is prohibited from filing a new application for licensure.

(c) (1) If an employee who is required to be licensed pursuant to this chapter fails to apply for a license within the time specified by regulation, is denied a license, or has his or her license revoked by the commission, the employee shall be terminated in any capacity in which he or she is required to be licensed and he or she shall not be permitted to exercise a significant influence over the gambling operation, or any part thereof, upon being notified of that action.

(2) If an employee who is required to be licensed pursuant to this chapter has his or her license suspended, the employee shall be suspended in any capacity in which he or she is required to be licensed and shall not be permitted to exercise a significant influence over the gambling operation, or any part thereof, during the period of suspension, upon being notified of that action.

(3) If the owner licensee designates another employee to replace the employee whose employment was terminated, the owner licensee shall promptly notify the department and shall require the newly designated employee to apply for a license.

(d) An owner licensee or an affiliate of the owner licensee shall not pay to a person whose employment has been terminated pursuant to subdivision (c) any remuneration for any service performed in any capacity in which the person is required to be licensed except for amounts due for services rendered before the date of receipt of notice of the commission's action.

Neither an owner licensee, nor an affiliate thereof, during the period of suspension, shall pay to a person whose employment has been suspended pursuant to subdivision (c), any remuneration for any service performed in any capacity in which the person is required to be licensed, except for amounts due for services rendered before the date of receipt of notice of the commission's action.

(e) Except as provided in subdivision (c), a contract or agreement for the provision of services or property to an owner licensee or an affiliate thereof, or for the conduct of any activity at a gambling establishment, which is to be performed by a person required by this chapter or by regulations adopted pursuant to this chapter, to be licensed, shall be terminated upon a suspension or revocation of the person's license.

(f) In any case in which a contract or agreement for the provision of services or property to an owner licensee or an affiliate thereof, or for the conduct of any activity at a gambling establishment, is to be performed by a person required by this chapter or by regulations adopted by the commission to be licensed, the contract shall be deemed to include a provision for its termination without liability on the part of the owner licensee or its duly registered holding company upon a suspension or revocation of the person's license. In any action brought by the department or commission to terminate a contract pursuant to subdivision (c) or (e), it shall not be a defense that the agreement does not expressly include the provision described in this subdivision, and the lack of express inclusion of the provision in the agreement shall not be a basis for enforcement of the contract by a party thereto.

### **19879. License Application Denial; Interest in Business Entity**

With regard to a person who has had his or her application for a license denied by the commission, all of the following shall apply:

(a) Except as provided in subdivision (c), the person shall not be entitled to profit from his or her investment in any business entity that has applied for or been granted a state license.

(b) The person shall not retain his or her interest in a business entity described in

subdivision (a) beyond that period prescribed by the commission.

(c) The person shall not accept more for his or her interest in a business entity described in subdivision (a) than he or she paid for it, or the market value on the date of the denial of the license or registration, whichever is higher.

(d) Nothing in this section shall be construed as a restriction or limitation on the powers of the commission specified in this chapter.

## **Article 5. LICENSING OF CORPORATIONS**

### **19880. Eligibility Requirements**

In addition to the requirements of Section 19852, in order to be eligible to receive a gambling license as the owner of a gambling enterprise, a corporation shall comply with all of the following requirements:

(a) Maintain an office of the corporation in the gambling establishment.

(b) Comply with all of the requirements of the laws of this state pertaining to corporations.

(c) Maintain, in the corporation's principal office in California or in the gambling establishment, a ledger that meets both of the following conditions:

(1) At all times reflects the ownership of record of every class of security issued by the corporation.

(2) Is available for inspection by the department at all reasonable times without notice.

(d) Register as a corporation with the department and supply the following supplemental information to the department:

(1) The organization, financial structure, and nature of the business to be operated, including the names, personal and criminal history, and fingerprints of all officers, directors, and key employees, and the names, addresses, and number of shares held by all stockholders of record.

(2) The rights and privileges acquired by the holders of different classes of authorized securities, including debentures.

(3) The terms on which securities are to be offered.

(4) The terms and conditions on all outstanding loans, mortgages, trust deeds, pledges, or any other indebtedness or security device.

(5) The extent of the equity security holdings in the corporation of all officers, directors, and underwriters, and their remuneration as compensation for services, in the form of salary, wages, fees, or otherwise.

(6) The amount of remuneration to persons other than directors and officers in excess of fifty thousand dollars (\$50,000) per annum.

(7) Bonus and profit-sharing arrangements.

(8) Management and service contracts.

(9) Options existing, or to be created, in respect of their securities or other interests.

(10) Financial statements for at least three fiscal years preceding the year of registration, or, if the corporation has not been in existence for a period of three years, financial statements from the date of its formation. All financial statements shall be prepared in accordance with generally accepted accounting principles and audited by a licensee of the California Board of Accountancy.

(11) Any further financial data that the department, with the approval of the commission, may deem necessary or appropriate for the protection of the state.

(12) An annual profit-and-loss statement and an annual balance sheet, and a copy of its annual federal income tax return, within 30 calendar days after that return is filed with the Internal Revenue Service.

**19881. Articles of Incorporation; Purposes to Include Conduct of Controlled Gambling; Commission Approval**

(a) No corporation is eligible to receive a license to own a gambling enterprise unless the conduct of controlled gambling is among the purposes stated in its articles of incorporation and the articles of incorporation have been submitted to and approved by the commission.

(b) The Secretary of State shall not accept for filing any articles of incorporation of any corporation that include as a stated purpose the conduct of controlled gambling, or any amendment thereto, or any amendment that adds this purpose to articles of incorporation already filed, unless the articles have, or amendment has, been approved by the commission.

**19882. Owner of Security; License Denial; Sale of Security; Violation; Statement on Security**

(a) If at any time the commission denies a license to an individual owner of any security issued by a corporation that applies for or holds an owner license, the owner of the security shall immediately offer the security to the issuing corporation for purchase. The corporation shall purchase the security so offered, for cash in an amount not greater than fair market value, within 30 calendar days after the date of the offer.

(b) Beginning upon the date when the department serves notice of the denial upon the corporation, it is unlawful for the denied security owner to do any of the following:

- (1) Receive any dividend or interest upon any security described in subdivision (a).
- (2) Exercise, directly or through any trustee or nominee, any voting right conferred by any security described in subdivision (a).
- (3) Receive any remuneration in any form from the corporation for services rendered or for any other purpose.

(c) Every security issued by a corporate owner licensee shall bear a statement, on both sides of the certificate evidencing the security, of the restrictions imposed by this section.

**19883. Individual License; Application Period; Removal or Suspension of Officer or Director; Shareholders; Failure to Apply**

(a) To the extent required by this chapter, officers and directors, shareholders, lenders, holders of evidence of indebtedness, underwriters, agents, or employees of a corporate owner licensee shall be licensed individually. The corporation shall require these persons to apply for a gambling license, and shall notify the department of every change of corporate officers, directors, or key employees within 10 business days after the change. An officer, director, or key employee who is required to apply for a license shall apply for the license within 30 calendar days after he or she becomes an officer, director, or key employee.

(b) The corporation shall immediately remove any officer or director required to apply for a license from any office or directorship if any of the following apply to that officer or director:

- (1) He or she fails to apply for the license within 30 calendar days after becoming an officer or director.

- (2) He or she is denied a license.
- (3) His or her license is revoked.
- (c) If the license of any officer or director is suspended, the corporation, immediately and for the duration of the suspension, shall suspend that officer or director.
- (d) If any shareholder who is required to apply for a gambling license fails to apply for the license within the time required, the shareholder shall be deemed to have been denied a license for purposes of subdivision (b) of Section 19882.
- (e) If any person, other than an officer, director, or shareholder, who is required to apply for a gambling license fails to do so, the failure may be deemed to be a failure of the corporate owner licensee to require the application.

## **Article 6. LICENSING OF LIMITED PARTNERSHIPS**

### **19890. Eligibility Requirements**

In addition to the requirements of Section 19852, in order to be eligible to receive a gambling license to own a gambling enterprise, a limited partnership shall comply with all of the following requirements:

- (a) Be formed under the laws of this state.
- (b) Maintain an office of the limited partnership in the gambling establishment.
- (c) Comply with all of the requirements of the laws of this state pertaining to limited partnerships.
- (d) Maintain a ledger in the principal office of the limited partnership in California that shall meet both of the following conditions:
  - (1) At all times reflects the ownership of all interests in the limited partnership.
  - (2) Be available for inspection by the department at all reasonable times without notice.
- (e) Register with the department and supply the following supplemental information to the department:
  - (1) The organization, financial structure, and nature of the business to be operated, including the names, personal history, and fingerprints of all general partners and key employees, and the name, address, and interest of each limited partner.
  - (2) The rights, privileges, and relative priorities of limited partners as to the return of contributions to capital, and the right to receive income.
  - (3) The terms on which limited partnership interests are to be offered.
  - (4) The terms and conditions on all outstanding loans, mortgages, trust deeds, pledges, or any other indebtedness or security device.
  - (5) The extent of the holding in the limited partnership of all underwriters, and their remuneration as compensation for services, in the form of salary, wages, fees, or otherwise.
  - (6) The remuneration to persons other than general partners in excess of fifty thousand dollars (\$50,000) per annum.
  - (7) Bonus and profit-sharing arrangements.
  - (8) Management and service contracts.
  - (9) Options existing or to be created.
  - (10) Financial statements for at least three fiscal years preceding the year of registration, or, if the limited partnership has not been in existence for a period of three years, financial statements from the date of its formation. All financial statements shall be prepared in accordance with generally accepted accounting

principles and audited by a licensee of the California Board of Accountancy in accordance with generally accepted auditing standards.

(11) Any further financial data that the department reasonably deems necessary or appropriate for the protection of the state.

(12) An annual profit and loss statement and an annual balance sheet, and a copy of its annual federal income tax return, within 30 calendar days after the return is filed with the Internal Revenue Service.

### **19891. Certificate of Limited Partnership; Purposes to Include Conduct of Gambling**

No limited partnership is eligible to receive a license to own a gambling enterprise unless the conduct of gambling is among the purposes stated in the certificate of limited partnership.

### **19892. Approval of Sale or Transfer of Interest; License Denial to Interest Owner; Return of Capital Account Amount; Violation; Statement on Certificate**

(a) The purported sale, assignment, transfer, pledge, or other disposition of any interest in a limited partnership that holds a gambling license, or the grant of an option to purchase the interest, is void unless approved in advance by the commission.

(b) If at any time the commission denies a license to an individual owner of any interest described in subdivision (a), the commission shall immediately notify the partnership of that fact. The limited partnership, within 30 calendar days from the date it receives the notice from the commission, shall return to the denied owner of the interest, in cash, the amount of his or her capital account as reflected on the books of the partnership.

(c) Beginning upon the date when the commission serves a notice of denial upon the limited partnership, it is unlawful for the denied owner of the interest to do any of the following:

(1) Receive any share of the revenue or interest upon the limited partnership interest.

(2) Exercise, directly or through any trustee or nominee, any voting right conferred by that interest.

(3) Receive any remuneration in any form from the limited partnership, for services rendered or for any other purpose.

(d) Every certificate of limited partnership of any limited partnership holding a gambling license shall contain a statement of the restrictions imposed by this section.

### **19893. Individual Licenses; Application Period**

To the extent required by this chapter, general partners, limited partners, lenders, holders of evidence of indebtedness, underwriters, agents, or employees of a limited partnership that holds or applies for a license to own a gambling enterprise shall be licensed individually. The limited partnership shall require these persons to apply for and obtain a gambling license. A person who is required to be licensed by this section as a general or limited partner shall not hold that position until he or she secures the required approval of the commission. A person who is required to be licensed pursuant to a decision of the commission shall apply for a license within 30 days after the commission requests him or her to do so.

## **Article 7. RESTRICTIONS ON CERTAIN TRANSACTION**

### **19900. Enforcement of Security Interests; Regulations; Compliance and Approval**

(a) Except as may be provided by regulation of the department, the following security interests shall not be enforced without the prior approval of the commission and compliance with regulations adopted pursuant to subdivision (b):

- (1) In a security issued by a corporation that is a holder of a gambling license in this state.
- (2) In a security issued by a holding company that is not a publicly traded corporation.
- (3) In a security issued by a partnership that is a holder of a gambling license in this state.

(b) The department shall adopt regulations establishing the procedure for the enforcement of a security interest. Any remedy provided by the regulations for the enforcement of the security interest is in addition to any other remedy provided by law.

### **19901. Agreements with Licensee in Accordance with Regulations; Violation**

It is unlawful for any person to sell, purchase, lease, hypothecate, borrow or loan money, or create a voting trust agreement or any other agreement of any sort to, or with, any licensee in connection with any controlled gambling operation licensed under this chapter or with respect to any portion of the gambling operation, except in accordance with the regulations of the commission.

### **19902. Contract to Sell or Lease Property or Interest in Property; Commission Approval of Licensing of Purchaser or Lessee; Contract Provision; Closing Date**

When any person contracts to sell or lease any property or interest in property, real or personal, under circumstances that require the approval or licensing of the purchaser or lessee by the commission pursuant to subdivision (a) of Section 19853, the contract shall not specify a closing date for the transaction that is earlier than the expiration of 90 calendar days after the submission of the completed application for approval for licensing. Any provision of a contract that specifies an earlier closing date is void for all purposes, but the invalidity does not affect the validity of any other provision of the contract.

### **19903. Individual Licenses; Application Period**

When any person contracts to sell or lease any property or interest in property, real or personal, under circumstances that require the approval or licensing of the purchaser or lessee by the commission pursuant to subdivision (a) of Section 19853, the contract shall contain a provision satisfactory to the commission regarding responsibility for the payment of any fees due pursuant to any subsequent deficiency determinations made under this chapter that shall encompass any period of time before the closing date of the transaction.

### **19904. Disposition of or Option to Purchase Security; Void Unless Approved**

The purported sale, assignment, transfer, pledge, or other disposition of any security issued by a corporation that holds a gambling license, or the grant of an option to purchase that security, is void unless approved in advance by the commission.

**19905. Extension or Redemption of Credit; Payment, Receipt, or Transfer of Monetary Instruments; Regulations; Records; Report**

Every owner licensee that is involved in a transaction for the extension or redemption of credit by the licensee, or for the payment, receipt, or transfer of coin, currency, or other monetary instruments, as specified by the commission, in an amount, denomination, or amount and denomination, or under circumstances prescribed by regulations, and any other participant in the transaction, as specified by the commission, shall, if required by regulation, make and retain a record of, or file with the department a report on, the transaction, at the time and in the manner prescribed by regulations.

**Article 8. WORK PERMITS**

**19910. Legislative Findings**

The Legislature finds that to protect and promote the health, safety, good order, and general welfare of the inhabitants of this state, and to carry out the policy declared by this chapter, it is necessary that the department ascertain and keep itself informed of the identity, prior activities, and present location of all gambling enterprise employees and independent agents in the State of California, and when appropriate to do so, recommend to the commission for approval persons for employment in gambling establishments as provided in this article.

**19911. Eligibility; Age; Issuance of Permit**

No person under the age of 21 years shall be eligible for a work permit and no permit shall be issued to a person under the age of 21 years.

**19912. Gambling Enterprise Employee or Independent Agent; Work Permit Application; Issuance or Denial; Procedures**

(a) (1) A person shall not be employed as a gambling enterprise employee, or serve as an independent agent, except as provided in paragraph (2), unless he or she is the holder of one of the following:

(A) A valid work permit issued in accordance with the applicable ordinance or regulations of the county, city, or city and county in which his or her duties are performed.

(B) A work permit issued by the commission pursuant to regulations adopted by the commission for the issuance and renewal of work permits. A work permit issued by the commission shall be valid for two years.

(2) An independent agent is not required to hold a work permit if he or she is not a resident of this state and has registered with the department in accordance with regulations.

(b) A work permit shall not be issued by any city, county, or city and county to any person who would be disqualified from holding a state gambling license for the reasons specified in subdivisions (a) to (g), inclusive, of Section 19859.

(c) The department may object to the issuance of a work permit by a city, county, or city and county for any cause deemed reasonable by the department, and if the department objects to issuance of a work permit, the work permit shall be denied.

(1) The commission shall adopt regulations specifying particular grounds for objection to issuance of, or refusal to issue, a work permit.

(2) The ordinance of any city, county, or city and county relating to issuance of work permits shall permit the department to object to the issuance of any permit.

(3) Any person whose application for a work permit has been denied because of an objection by the department may apply to the commission for an evidentiary hearing in accordance with regulations.

(d) Application for a work permit for use in any jurisdiction where a locally issued work permit is not required by the licensing authority of a city, county, or city and county shall be made to the commission, and may be granted or denied for any cause deemed reasonable by the commission.

If the commission denies the application, it shall include in its notice of denial a statement of facts upon which it relied in denying the application. Upon receipt of an application for a work permit, the commission may issue a temporary work permit for a period not to exceed 120 days, pending completion of the background investigation by the department and official action by the commission with respect to the work permit application.

(e) An order of the commission denying an application for a work permit, including an order declining to issue a work permit following review pursuant to paragraph (3) of subdivision (c), may be reviewed in accordance with subdivision (e) of Section 19870.

#### **19914. Revocation of Permit; Grounds; Hearing**

(a) The commission may revoke a work permit or, if issued by the licensing authority of a city, county, or city and county, notify the authority to revoke it, and the licensing authority shall revoke it, if the commission finds, after a hearing, that a gambling enterprise employee or independent agent has failed to disclose, misstated, or otherwise misled the department or the commission with respect to any fact contained in any application for a work permit, or if the commission finds that the employee or independent agent, subsequent to being issued a work permit, has done any of the following:

- (1) Committed, attempted, or conspired to do any acts prohibited by this chapter.
- (2) Engaged in any dishonest, fraudulent, or unfairly deceptive activities in connection with controlled gambling, or knowingly possessed or permitted to remain in or upon any premises any cards, dice, mechanical devices, or any other cheating device.
- (3) Concealed or refused to disclose any material fact in any investigation by the department.
- (4) Committed, attempted, or conspired to commit, any embezzlement or larceny against a gambling licensee or upon the premises of a gambling establishment.
- (5) Been convicted in any jurisdiction of any offense involving or relating to gambling.
- (6) Accepted employment without prior commission approval in a position for which he or she could be required to be licensed under this chapter after having been denied a license or after failing to apply for licensing when requested to do so by the commission.
- (7) Been refused the issuance of any license, permit, or approval to engage in or be involved with gambling or parimutuel wagering in any jurisdiction, or had the license, permit, or approval revoked or suspended.
- (8) Been prohibited under color of governmental authority from being present upon the premises of any licensed gambling establishment or any establishment where parimutuel wagering is conducted, for any reason relating to improper gambling activities or any illegal act.

(9) Been convicted of any felony.

(b) The commission shall revoke a work permit if it finds, after hearing, that the holder thereof would be disqualified from holding a state gambling license for the reasons specified in subdivision (f) or (g) of Section 19859.

(c) Nothing in this section shall be construed to limit any powers of the commission with respect to licensing.

**19915. Fee**

The fee for a work permit issued by the commission shall be not less than twenty-five dollars (\$25) or more than two hundred fifty dollars (\$250).

**Article 9. CONDITIONS OF OPERATION**

**19920. Operation to Protect Public Health, Safety, and General Welfare; Disciplinary Action**

It is the policy of the State of California to require that all establishments wherein controlled gambling is conducted in this state be operated in a manner suitable to protect the public health, safety, and general welfare of the residents of the state. The responsibility for the employment and maintenance of suitable methods of operation rests with the owner licensee, and willful or persistent use or toleration of methods of operation deemed unsuitable by the commission or by local government shall constitute grounds for license revocation or other disciplinary action.

**19921. Persons Under 21; Areas of Access in a Gambling Establishment; Entrance; License Renewal**

No person under the age of 21 years shall be permitted to enter upon the premises of a licensed gambling establishment, or any part thereof, except the following:

(a) An area, physically separated from any gambling area, for the exclusive purpose of dining. For purposes of this subdivision, any place wherein food or beverages are dispensed primarily by vending machines shall not constitute a place for dining.

(b) Restrooms.

(c) A supervised room, as defined by regulation, that is physically separated from any gambling area and used primarily for the purpose of entertainment or recreation. Any area of a gambling establishment to which a person under the age of 21 years may have access under this subdivision shall have an entrance that shall not require the entrants to enter upon or pass through the gambling floor. All persons under the age of 21 years shall be restricted to the entrance specified in this subdivision.

**19922. Gambling Enterprise Operation in Violation of Chapter Provisions or Regulations**

No owner licensee shall operate a gambling enterprise in violation of any provision of this chapter or any regulation adopted pursuant to this chapter.

**19923. Gambling Enterprise Operation in Violation of Local Ordinance**

No owner licensee shall operate a gambling enterprise in violation of any governing local ordinance.

**19924. Security Controls; Approval of Commission**

Each owner licensee shall maintain security controls over the gambling premises and all

operations therein related to gambling, and those security controls are subject to the approval of the commission.

## **Article 10. DISCIPLINARY ACTIONS**

### **19930. Investigations; License, Permit, Finding, or Approval Suspension or Revocation; Accusation; Fines or Penalties; Cost Recovery**

(a) The department shall make appropriate investigations as follows:

- (1) Determine whether there has been any violation of this chapter or any regulations adopted thereunder.
- (2) Determine any facts, conditions, practices, or matters that it may deem necessary or proper to aid in the enforcement of this chapter or any regulation adopted thereunder.
- (3) To aid in adopting regulations.
- (4) To secure information as a basis for recommending legislation relating to this chapter.

(b) If, after any investigation, the department is satisfied that a license, permit, finding of suitability, or approval should be suspended or revoked, it shall file an accusation with the commission in accordance with Chapter 5 (commencing with Section 11500) of Part 1 of Division 3 of Title 2 of the Government Code.

(c) In addition to any action that the commission may take against a license, permit, finding of suitability, or approval, the commission may also require the payment of fines or penalties. However, no fine imposed shall exceed twenty thousand dollars (\$20,000) for each separate violation of any provision of this chapter or any regulation adopted thereunder.

(d) In any case in which the administrative law judge recommends that the commission revoke, suspend, or deny a license, the administrative law judge may, upon presentation of suitable proof, order the licensee or applicant for a license to pay the department the reasonable costs of the investigation and prosecution of the case.

(1) The costs assessed pursuant to this subdivision shall be fixed by the administrative law judge and may not be increased by the commission. When the commission does not adopt a proposed decision and remands the case to the administrative law judge, the administrative law judge may not increase the amount of any costs assessed in the proposed decision.

(2) The department may enforce the order for payment in the superior court in the county in which the administrative hearing was held. The right of enforcement shall be in addition to any other rights that the department may have as to any licensee directed to pay costs.

(3) In any judicial action for the recovery of costs, proof of the commission's decision shall be conclusive proof of the validity of the order of payment and the terms for payment.

(e) Notwithstanding any other provision of law, all costs recovered under this section shall be deposited in the fines and penalties account, a special account described in subdivision (a) of Section 19950.

(f) For purposes of this section, "costs" include costs incurred for any of the following:

- (1) The investigation of the case by the department.
- (2) The preparation and prosecution of the case by the Office of the Attorney General.

**19931. Emergency Orders; Grounds; Action; Period of Effectiveness; Accusation; Hearing**

(a) The department may issue any emergency orders against an owner licensee or any person involved in a transaction requiring prior approval that the department deems reasonably necessary for the immediate preservation of the public peace, health, safety, or general welfare.

(b) The emergency order shall set forth the grounds upon which it is based, including a statement of facts constituting the alleged emergency necessitating the action.

(c) The emergency order is effective immediately upon issuance and service upon the owner licensee or any agent of the licensee registered with the department for receipt of service, or, in cases involving prior approval, upon issuance and service upon the person or entity involved, or upon an agent of that person or entity authorized to accept service of process in this state. The emergency order may suspend, limit, condition, or take other action in relation to the license of one or more persons in an operation without affecting other individual licensees, registrants, or the licensed gambling establishment. The emergency order remains effective until further order of the commission or final disposition of any proceeding conducted pursuant to subdivision (d).

(d) Within two calendar days after issuance of an emergency order, the department shall file an accusation with the commission against the person or entity involved. Thereafter, the person or entity against whom the emergency order has been issued and served is entitled to a hearing which, if so requested, shall commence within 10 business days of the date of the request if a gambling operation is closed by the order, and in all other cases, within 30 calendar days of the date of the request. On application of the department, and for good cause shown, a court may extend the time within which a hearing is required to be commenced, upon those terms and conditions that the court deems equitable.

**19932. Judicial Review; Stay; Abuse of Discretion; Denial or Issuance of Alternative Writ; Exclusive Method of Review**

(a) Any person aggrieved by a final decision or order of the commission that limits, conditions, suspends, or revokes any previously granted license or approval, made after hearing by the commission, may petition the Superior Court for the County of Sacramento for judicial review pursuant to Section 1094.5 of the Code of Civil Procedure and Section 11523 of the Government Code. Notwithstanding any other provision of law, the standard set forth in paragraph (1) of subdivision (h) of Section 1094.5 of the Code of Civil Procedure shall apply for obtaining a stay of the operation of a final decision or order of the commission. In every case where it is claimed that the findings are not supported by the evidence, abuse of discretion is established if the court determines that the findings are not supported by substantial evidence in light of the whole record.

(b) The court may summarily deny the petition, or the court may issue an alternative writ directing the commission to certify the whole record of the department in the case to the court within a time specified. No new or additional evidence shall be introduced in the court, but, if an alternative writ issues, the cause shall be heard on the whole record of the department as certified by the commission.

(c) In determining the cause following issuance of an alternative writ, the court shall enter judgment affirming, modifying, or reversing the order of the commission, or the court may remand the case for further proceedings before, or reconsideration by, the commission.

(d) Except as otherwise provided in Section 19870 and subdivision (e) in Section 19912, this section provides the exclusive means to review adjudicatory decisions of the commission.

## **Article 11. PENALTIES**

### **19940. List of Persons to be Excluded or Ejected from Establishment; Violation on Entry**

Any person included on the list of persons to be excluded or ejected from a gambling establishment pursuant to this chapter is guilty of a misdemeanor if he or she thereafter knowingly enters the premises of a licensed gambling establishment.

### **19941. Persons Under 21; Violations; Defense**

(a) A person under the age of 21 years shall not do any of the following:

(1) Play, be allowed to play, place wagers at, or collect winnings from, whether personally or through an agent, any gambling game.

(2) Loiter, or be permitted to loiter, in or about any room wherein any gambling game is operated or conducted.

(3) Be employed as an employee in a licensed gambling establishment except in a parking lot, coffee shop, restaurant, business office, or other similar room, as determined by regulations, wherein no gambling activity or activity directly associated with gambling takes place.

(4) Present or offer to any licensee, or to an agent of a licensee, any written, printed, or photostatic evidence of age and identity that is false, fraudulent, or not actually his or her own for the purpose of doing any of the things described in paragraphs (1) to (3), inclusive.

(b) Any licensee or employee in a gambling establishment who violates or permits the violation of this section, and any person under 21 years of age who violates this section, is guilty of a misdemeanor.

(c) Proof that a licensee, or agent or employee of a licensee, demanded, was shown, and acted in reliance upon bona fide evidence of age and identity shall be a defense to any criminal prosecution under this section or to any proceeding for the suspension or revocation of any license or work permit based thereon. For the purposes of this section, "bona fide evidence of age and identity" means a document issued by a federal, state, county, or municipal government, or subdivision or agency thereof, including, but not limited to, a motor vehicle operator's license or an identification card issued to a member of the armed forces, that contains the name, date of birth, description, and picture of the person.

### **19942. License Fees; Violation; General Penalty**

(a) Any person who willfully fails to report, pay, or truthfully account for and pay over any license fee imposed by this chapter, or who willfully attempts in any manner to evade or defeat the license fee or payment thereof, shall be punished by imprisonment in a county jail, by a fine of not more than five thousand dollars (\$5,000), or by both that imprisonment and fine.

(b) Any person who willfully violates any of the provisions of this chapter for which a penalty is not expressly provided, is guilty of a misdemeanor.

**19943. Failure to Comply with Regulations Adopted Pursuant to Section 19841(d); Violations; Application**

(a) Except as specified in subdivision (c), this section applies to any person or business that is engaged in controlled gambling, whether or not licensed to do so.

(b) Any person or business described in subdivision (a), with actual knowledge of the requirements of regulations adopted by the commission pursuant to subdivision (d) of Section 19841, that knowingly and willfully fails to comply with the requirements of those regulations shall be liable for a monetary penalty. The commission may impose a monetary penalty for each violation. However, in the first proceeding that is initiated pursuant to this subdivision, the penalties for all violations shall not exceed a total sum of ten thousand dollars (\$10,000). If a penalty was imposed in a prior proceeding before the commission, the penalties for all violations shall not exceed a total sum of twenty-five thousand dollars (\$25,000). If a penalty was imposed in two or more prior proceedings before the commission, the penalties for all violations shall not exceed a total sum of one hundred thousand dollars (\$100,000).

(c) This section does not apply to any case where the person is criminally prosecuted in federal or state court for conduct related to a violation of Section 14162 of the Penal Code.

**19944. Interference with Performance of Duties; Violation**

Any person who willfully resists, prevents, impedes, or interferes with the department or the commission or any of their agents or employees in the performance of duties pursuant to this chapter is guilty of a misdemeanor, punishable by imprisonment in a county jail for not more than six months, by a fine not exceeding one thousand dollars (\$1,000), or by both that imprisonment and fine.

## **Article 12. REVENUES**

**19950. Disposition of Fines and Penalties to Special Account in General Fund; Disposition of Other Fees and Revenue to Gambling Control Fund; Expenditures**

(a) All fines and penalties collected pursuant to this chapter shall be deposited in a special account in the General Fund, and, upon appropriation, may be expended by the Department of Justice to offset costs incurred pursuant to this chapter.

(b) Except as otherwise provided in subdivision (a), all fees and revenue collected pursuant to this chapter shall be deposited in the Gambling Control Fund, which is hereby created in the State Treasury. The funds deposited in the Gambling Control Fund shall be available, upon appropriation by the Legislature, for expenditure by the department and commission exclusively for the support of the department and commission in carrying out their duties and responsibilities under this chapter.

**19951. Fees**

(a) Every application for a license or approval shall be accompanied by a nonrefundable fee, the amount of which shall be adopted by regulation on or before January 1, 2009. The adopted fee shall not exceed one thousand two hundred dollars (\$1,200). Prior to adoption of the regulation, the nonrefundable application fee shall be five hundred dollars (\$500).

(b) (1) Any fee paid pursuant to this section, including all licenses issued to key employees and other persons whose names are endorsed upon the license, shall be assessed against the gambling license issued to the owner of the gambling establishment.

This paragraph shall not apply to key employee licenses issued on and after January 1, 2009, or the implementation of regulations establishing a personal key employee license adopted pursuant to Section 19854, whichever is sooner.

(2) (A) The fee for initial issuance of a state gambling license shall be an amount determined by the commission in accordance with regulations adopted pursuant to this chapter.

(B) The fee for the renewal of a state gambling license shall be determined pursuant to the schedule in subdivision (c) or the schedule in subdivision (d), whichever amount is greater.

(C) The holder of a provisional license shall pay an annual fee pursuant to the schedule in subdivision (c).

(c) The schedule based on the number of tables is as follows:

(1) For a license authorizing one to five tables, inclusive, at which games are played, three hundred dollars (\$300) for each table.

(2) For a license authorizing six to eight tables, inclusive, at which games are played, five hundred fifty dollars (\$550) for each table.

(3) For a license authorizing 9 to 14 tables, inclusive, at which games are played, one thousand three hundred dollars (\$1,300) for each table.

(4) For a license authorizing 15 to 25 tables, inclusive, at which games are played, two thousand seven hundred dollars (\$2,700) for each table.

(5) For a license authorizing 26 to 70 tables, inclusive, at which games are played, four thousand dollars (\$4,000) for each table.

(6) For a license authorizing 71 or more tables at which games are played, four thousand seven hundred dollars (\$4,700) for each table.

(d) Without regard to the number of tables at which games may be played pursuant to a gambling license, if, at any time of any license renewal, or when a licensee is required to pay the fee described in subparagraph (C) of paragraph (2) of subdivision (b) it is determined that the gross revenues of an owner licensee during the licensee's previous fiscal year fell within the following ranges, the annual fee shall be as follows:

(1) For a gross revenue of two hundred thousand dollars (\$200,000) to four hundred ninety-nine thousand nine hundred ninety-nine dollars (\$499,999), inclusive, the amount specified by the department pursuant to paragraph (2) of subdivision (c).

(2) For a gross revenue of five hundred thousand dollars (\$500,000) to one million nine hundred ninety-nine thousand nine hundred ninety-nine dollars (\$1,999,999), inclusive, the amount specified by the department pursuant to paragraph (3) of subdivision (c).

(3) For a gross revenue of two million dollars (\$2,000,000) to nine million nine hundred ninety-nine thousand nine hundred ninety-nine dollars (\$9,999,999), inclusive, the amount specified by the department pursuant to paragraph (4) of subdivision (c).

(4) For a gross revenue of ten million dollars (\$10,000,000) to twenty-nine million nine hundred ninety-nine thousand nine hundred ninety-nine dollars (\$29,999,999), the amount specified by the department pursuant to paragraph (5) of subdivision (c).

(5) For a gross revenue of thirty million dollars (\$30,000,000) or more, the amount specified by the department pursuant to paragraph (6) of subdivision (c).

(e) The commission may provide for payment of the annual gambling license fee on an annual or installment basis.

(f) For the purposes of this section, each table at which a game is played constitutes a single game table.

(g) It is the intent of the Legislature that the fees paid pursuant to this section are sufficient to enable the department and the commission to fully carry out their duties and responsibilities under this chapter.

**19952. Special License Fee; Excess Tables for Tournaments and Special Events**

The commission, by regulation, shall establish fees for special licenses authorizing irregular operation of tables in excess of the total number of tables otherwise authorized to a licensed gambling establishment, for tournaments and other special events.

**19953. License Tax; Imposition by City, County, or City and County**

Nothing contained in this chapter shall be deemed to restrict or limit the power of any city, county, or city and county to fix, impose, and collect a license tax.

**19954. Additional Table Fees, Department of Alcohol and Drug Programs, Gambling Addiction Program Fund**

In addition to those fees required pursuant to Section 19951, each licensee shall pay an additional one hundred dollars (\$100) for each table for which it is licensed to the Department of Alcohol and Drug Programs for deposit in the Gambling Addiction Program Fund, which is hereby established to benefit those who have a gambling addiction problem. These funds shall be made available, upon appropriation by the Legislature, to community-based organizations that directly provide aid and assistance to those persons with a gambling addiction problem.

**Article 13. LOCAL GOVERNMENTS**

**19960. Ordinances Not Inconsistent with Chapter; Issuance of Gambling License; Conditions**

This chapter shall not prohibit the enactment, amendment, or enforcement of any ordinance by any city, county, or city and county relating to licensed gambling establishments that is not inconsistent with this chapter. No city, county, or city and county shall issue a gambling license with respect to any gambling establishment unless one of the following is true:

(a) The gambling establishment is located in a city, county, or city and county wherein, after January 1, 1984, an ordinance was adopted by the electors of the city, county, or city and county, in an election conducted pursuant to former Section 19819 of the Business and Professions Code, as that section read immediately before its repeal by the act that enacted this chapter.

(b) The gambling establishment is located in a city, county, or city and county wherein, prior to January 1, 1984, there was in effect an ordinance that expressly authorized the operation of one or more cardrooms.

(c) After the effective date of this chapter, a majority of the electors voting thereon affirmatively approve a measure permitting controlled gambling within that city, county, or city and county.

(1) The measure to permit controlled gambling shall appear on the ballot in substantially the following form: "Shall licensed gambling establishments in which any controlled games permitted by law, such as draw poker, low-ball

poker, panguine (pan), seven-card stud, or other lawful card games or tile games, are played, be allowed in \_\_\_\_? Yes \_\_\_\_ No \_\_\_\_."

(2) In addition, the initial implementing ordinances shall be drafted and appear in full on the sample ballot and shall set forth at least all of the following:

(A) The hours of operation.

(B) The games to be played.

(C) The wagering limits.

(D) The maximum number of gambling establishments permitted by the ordinance.

(E) The maximum number of tables permitted in each gambling establishment.

(d) The authorization of subdivision (c) is subject to Sections 19962 and 19963 until those sections are repealed.

### **19961. Expansion of Gambling; Ordinance Amendment; Ballot Measure**

(a) (1) Except as provided in paragraph (2), on or after the effective date of this chapter, any amendment to any ordinance that would result in an expansion of gambling in the city, county, or city and county, shall not be valid unless the amendment is submitted for approval to the voters of the city, county, or city and county, and is approved by a majority of the electors voting thereon.

(2) Notwithstanding paragraph (1) and Section 19962, an ordinance may be amended without the approval of the electors after the effective date of this chapter to expand gambling by a change that results in an increase of less than 25 percent with respect to any of the matters set forth in paragraphs (1), (2), (3), and (5) of subdivision (b). Thereafter, any additional expansion shall be approved by a majority of the electors voting thereon.

(b) For the purposes of this article, "expansion of gambling" means, when compared to that authorized on January 1, 1996, or under an ordinance adopted pursuant to subdivision (a) of Section 19960, whichever is the lesser number, a change that results in any of the following:

(1) An increase of 25 percent or more in the number of gambling tables in the city, county, or city and county.

(2) An increase of 25 percent or more in the number of licensed card rooms in the city, county, or city and county.

(3) An increase of 25 percent or more in the number of gambling tables that may be operated in a gambling establishment in the city, county, or city and county.

(4) The authorization of any additional form of gambling, other than card games, that may be legally played in this state, to be played at a gambling establishment in the city, county, or city and county.

(5) An increase of 25 percent or more in the hours of operation of a gambling establishment in the city, county, or city and county.

(c) The measure to expand gambling shall appear on the ballot in substantially the following form: "Shall gambling be expanded in \_\_\_\_ beyond that operated or authorized on January 1, 1996, by \_\_\_\_ (describe expansion) Yes \_\_\_\_ No \_\_\_\_."

(d) The authorization of subdivision (c) is subject to Sections 19962 and 19963 until those sections are repealed.

(e) Increasing the number of games offered in a gambling establishment does not constitute an expansion of gambling pursuant to this section.

(f) No city, county, or city and county shall amend its ordinance in a cumulative manner

to increase gambling by more than 25 percent for the factors listed in subdivision (b), when compared to that authorized on January 1, 1996, without conducting an election pursuant to this section.

**19961.05.** Notwithstanding Sections 19961 and 19962, a city, county, or city and county may amend an ordinance to increase the number of gambling tables by two, or 24.99 percent, whichever is greater, compared to the ordinance that was in effect on January 1, 1996.

**19961.1. Department Review of Ordinance Amendments**

Any amendment to a city or county ordinance relating to gambling establishments, or the Gambling Control Act, shall be submitted to the department for review and comment, before the ordinance is adopted by the city or county.

**19962. Authorization and Expansion of Legal Gambling**

(a) On and after the effective date of this chapter, neither the governing body nor the electors of a county, city, or city and county that has not authorized legal gaming within its boundaries prior to January 1, 1996, shall authorize legal gaming. (b) An ordinance in effect on January 1, 1996, that authorizes legal gaming within a city, county, or city and county may not be amended to provide for an expansion of gambling, as defined in Section 19961, in that jurisdiction beyond that permitted on January 1, 1996. (c) Notwithstanding any other provision of law, a city, county, or city and county may amend its ordinance regarding wagering limits. (d) This section shall remain operative only until January 1, 2010, and as of that date is repealed.

**19962. Authorization and Expansion of Legal Gambling**

(a) On and after the effective date of this chapter, neither the governing body nor the electors of a county, city, or city and county that has not authorized legal gaming within its boundaries prior to January 1, 1996, shall authorize legal gaming. (b) An ordinance in effect on January 1, 1996, that authorizes legal gaming within a city, county, or city and county may not be amended to expand gaming in that jurisdiction beyond that permitted on January 1, 1996. (c) This section shall become operative on January 1, 2010. (d) This section shall remain in effect only until January 1, 2015, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2015, deletes or extends that date.

**19963. Limitations of Issuance of Gambling License**

(a) In addition to any other limitations on the expansion of gambling imposed by Section 19962 or any provision of this chapter, the commission may not issue a gambling license for a gambling establishment that was not licensed to operate on December 31, 1999, unless an application to operate that establishment was on file with the department prior to September 1, 2000.

(b) This section shall remain in effect only until January 1, 2015, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2015, deletes or extends that date.

**19964. Local License; Owner Licensee Qualification; Duty to Issue**

No city, county, or city and county may grant, or permit to continue in effect, a license to deal, operate, carry on, conduct, maintain, or expose for play any controlled game to any

applicant or holder of a local license unless the applicant or local licensee is an owner licensee as defined in this chapter. However, the issuance of a state gambling license to a person imposes no requirements upon the city, county, or city and county to issue a license to the person.

## **Article 14. MISCELLANEOUS PROVISIONS**

### **19970. Severability of Invalid Provision**

If any clause, sentence, paragraph, or part of this chapter, for any reason, is adjudged by a court of competent jurisdiction to be invalid, that judgment shall not affect, impair, or invalidate the remainder of this chapter and the application thereof to other persons or circumstances, but shall be confined to the operation of the clause, sentence, paragraph, or part thereof directly involved in the controversy in which the judgment was rendered and to the person or circumstances involved.

### **19971. Construction of Act**

This act is an exercise of the police power of the state for the protection of the health, safety, and welfare of the people of the State of California, and shall be liberally construed to effectuate those purposes.

### **19972. State Gambling License Issuance; Construction for Purposes of Civil Code § 3482**

For the purposes of Section 3482 of the Civil Code, the issuance of a state gambling license shall not be construed to authorize any conduct or activity other than the conduct of controlled gambling.

## **Article 15. ADDITIONAL RESTRICTIONS RELATED TO FAIR ELECTIONS AND CORRUPTION OF REGULATORS**

### **19980. Legislative Findings and Declarations**

(a) The Legislature finds and declares that there is a compelling governmental interest in ensuring that elections conducted pursuant to Section 19960 are conducted fairly and that electors in those elections are presented with fair and balanced arguments in support of and in opposition to the existence of gambling establishments. Large contributions by gambling operators or prospective gambling operators who will be financially interested in the outcome of the election often unfairly distort the context in which those elections take place.

(b) In California, in other states, and in other countries, there is ample historical evidence of the potential for revenues derived from gambling to be used to corrupt political officials in the regulation or prosecution of crimes related to gambling activities, embezzlement, and money laundering.

(c) This article is an exercise of the police power of the state for the protection of the health, safety, and welfare of the people of this state.

**19981. Termination of Office or Employment; Representation of Another Before Commission or Department; Commission Member Solicitation or Acceptance of Campaign Contributions**

(a) A member of the commission, the executive director, the chief, and any employee of the commission or department designated by regulation, shall not, for a period of three years after leaving office or terminating employment, for compensation, act as agent or attorney for, or otherwise represent, any other person by making any formal or informal appearance, or by making any oral or written communication, before the commission or the department, or any officer or employee thereof, if the appearance or communication is for the purpose of influencing administrative action, or influencing any action or proceeding involving the issuance, amendment, awarding, or revocation of a permit, license, or approval.

(b) A member of the commission shall not solicit or accept campaign contributions from any person, including any applicant or licensee.

**19881.05.** The commission may delegate to staff the approval of articles of incorporation, statements of limited partnership, and other entity filings that are required to specifically state that gambling is one of the purposes for which the business entity is formed.

**19982. Campaign Finance Disclosure of Contribution Limitations; Violations; Denial, Suspension, or Revocation of Application or Licensee; Procedures; Information Filing; Regulations**

(a) A license may be denied, suspended, or revoked if the applicant or licensee, within three years prior to the submission of the license or renewal application, or any time thereafter, violates any law or ordinance with respect to campaign finance disclosure or contribution limitations applicable to an election that is conducted pursuant to Section 19960, former Section 19950, or pursuant to former Section 19819, as that section read immediately prior to its repeal by the act that enacted this chapter.

(1) The remedies specified herein are in addition to any other remedy or penalty provided by law.

(2) Any final determination by the Fair Political Practices Commission that the applicant did not violate any provision of state law within its jurisdiction shall be binding on the commission.

(3) Any final determination by a city or county governmental body having ultimate jurisdiction over the matter that the applicant did not violate an ordinance with respect to campaign finance disclosure or contribution limitations applicable to an election conducted pursuant to Section 19960, former Section 19950, or former Section 19819, as that section read immediately prior to its repeal by the act that enacted this chapter, shall be binding on the commission.

(b) Every applicant for a gambling license, or any renewal thereof, shall file with the department, at the time the license application or renewal is filed, the following information:

(1) Any statement or other document required to be filed with the Fair Political Practices Commission relative to an election that is conducted pursuant to Section 19960, former Section 19950, or former Section 19819, as that section read immediately prior to its repeal by the act that enacted this chapter, within three years of the date on which the application is submitted.

(2) Any statement or other document required to be filed with any local jurisdiction respecting campaign finance disclosure or contribution limitations applicable to an election that is conducted pursuant to Section 19960, former Section 19950, or former Section 19819, as that section read immediately prior to its repeal by the act that enacted this chapter, within three years of the date on which the application is submitted.

(3) A report of any contribution of money or thing of value, in excess of one hundred dollars (\$100), made to any committee, as defined by Section 82013 of the Government Code, associated with any election that is conducted pursuant to Section 19960, former Section 19950, or former Section 19819, as that section read immediately prior to its repeal by the act that enacted this chapter, within three years of the date on which the application is submitted.

(4) A report of any other significant involvement by the applicant or licensee in an election that is conducted pursuant to Section 19960, former Section 19950, or former Section 19819, as that section read immediately prior to its repeal by the act that enacted this chapter, within three years of the date on which the application is submitted.

(c) The commission shall adopt regulations to implement this section.

### **19983. Severability of Invalid Provision; Conflict or Inconsistency with Political Reform Act of 1974**

It is the intent of the Legislature that if any provision of this article is adjudged by a court to be invalid because of any conflict or inconsistency with the Political Reform Act of 1974 (Title 9 (commencing with Section 81000) of the Government Code), as amended, that judgment shall not affect, impair, or invalidate any other provision of this chapter and the application thereof to other persons or circumstances, but shall be confined to the operation of the clause, sentence, paragraph, or part thereof directly involved in the controversy in which the judgment was rendered and to the person or circumstances involved.

## **Article 16. ADDITIONAL CONTRACTS: PROPOSITION PLAYERS**

### **19984. Contracts for Providing Proposition Player Services**

Notwithstanding any other provision of law, a licensed gambling establishment may contract with a third party for the purpose of providing proposition player services, subject to the following conditions:

(a) Any agreement, contract, or arrangement between a gambling establishment and a third-party provider of proposition player services shall be approved in advance by the department, and in no event shall a gambling establishment or the house have any interest, whether direct or indirect, in funds wagered, lost, or won.

(b) The commission shall establish reasonable criteria for, and require the licensure and registration of, any person or entity that provides proposition player services to gambling establishments pursuant to this section, including owners, supervisors, and players. Those employed by a third-party provider of proposition player services, including owners, supervisors, observers, and players, shall wear a badge, which clearly identifies them as proposition players whenever they are present within a gambling establishment. The commission may impose licensing requirements, disclosures, approvals, conditions, or limitations as it deems necessary to protect the integrity of controlled gambling in this

state, and may assess and collect reasonable fees and deposits as necessary to defray the costs of providing this regulation and oversight.

(c) The department, pursuant to regulations of the commission, is empowered to perform background checks, financial audits, and other investigatory services as needed to assist the commission in regulating third party providers of proposition player services, and may assess and collect reasonable fees and deposits as necessary to defray the costs of providing this regulation and oversight. The department may adopt emergency regulations in order to implement this subdivision.

(d) No agreement or contract between a licensed gambling establishment and a third party concerning the provision of proposition player services shall be invalidated or prohibited by the department pursuant to this section until the commission establishes criteria for, and makes determinations regarding the licensure or registration of, the provision of these services pursuant to subdivision (b).

## **Article 17. NONPROFIT ORGANIZATION FUNDRAISERS**

### **19985. Legislative Findings and Declarations**

(a) Nonprofit organizations provide important and necessary services to the people of the State of California with respect to educational and social services and there is a need to provide methods of fundraising to nonprofit organizations so as to enable them to meet their stated purposes.

(b) The playing of controlled games for the purpose of raising funds by nonprofit organizations is in the public interest.

(c) Uniform regulation for the conduct of controlled games is in the best interests of nonprofit organizations and the people of this state.

### **19986. Nonprofit Organization Fundraiser Registration Requirements**

(a) Notwithstanding any other provision of state law a nonprofit organization may conduct a fundraiser using controlled games as a funding mechanism to further the purposes and mission of the nonprofit organization.

(b) A nonprofit organization holding a fundraiser pursuant to subdivision (a) shall not conduct more than one fundraiser per calendar year, and each fundraiser shall not exceed five consecutive hours. Each fundraiser shall be preapproved by the department. Eligible nonprofit organizations that have multiple chapters may hold one fundraiser per chapter per calendar year.

(c) No cash prizes or wagers may be awarded to participants, however, the winner of each controlled game may be entitled to a prize from those donated to the fundraiser. An individual prize awarded to each winner shall not exceed a cash value of five hundred dollars (\$500). For each event, the total cash value of prizes awarded shall not exceed five thousand dollars (\$5,000).

(d) At least 90 percent of the gross revenue from the fundraiser shall go directly to a nonprofit organization. Compensation shall not be paid from revenues required to go directly to the nonprofit organization for the benefit of which the fundraiser is conducted, and no more than 10 percent of the gross receipts of a fundraiser may be paid as compensation to the entity or persons conducting the fundraiser for the nonprofit organization. If an eligible nonprofit organization does not own a facility in which to conduct a fundraiser and is required to pay the entity or person conducting the fundraiser a rental fee for the facility, the fair market rental value of the facility shall not be included when determining the compensation payable to the entity or person for purposes of this

section. This section does not preclude an eligible organization from using funds from sources other than the gross revenue of the fundraiser to pay for the administration or other costs of conducting the fundraiser.

(e) An eligible nonprofit organization shall not conduct a fundraiser authorized by this section, unless it has been in existence and operation for at least three years and registers annually with the department. The department shall furnish a registration form on its Internet Web site or, upon request, to eligible nonprofit organizations. The department shall, by regulation, collect only the information necessary pursuant to this section on this form. This information shall include, but is not limited to, the following:

(1) The name and address of the eligible organization.

(2) The federal tax identification number, the corporate number issued by the Secretary of State, the organization number issued by the Franchise Tax Board, or the California charitable trust identification number of the eligible organization.

(3) The name and title of a responsible fiduciary of the organization.

(f) The department shall adopt regulations necessary to effectuate this section, including emergency regulations, pursuant to the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code).

(g) The nonprofit organization shall maintain records for each fundraiser using controlled games, which shall include:

(1) An itemized list of gross receipts for the fundraiser.

(2) An itemized list of recipients of the net profit of the fundraiser, including the name, address, and purpose for which fundraiser proceeds are to be used.

(3) The number of persons who participated in the fundraiser.

(4) An itemized list of the direct cost incurred for each fundraiser.

(5) A list of all prizes awarded during each fundraiser.

(6) The date, hours, and location for each fundraiser held.

(h) As used in this article, "nonprofit organization" means an organization that has been qualified to conduct business in California for at least three years prior to conducting controlled games and is exempt from taxation pursuant to Section 23701a, 23701b, 23701d, 23701e, 23701f, 23701g, 23701k, 23701l, or 23701w of the Revenue and Taxation Code.

(i) The department may take legal action against a registrant if it determines that the registrant has violated this section or any regulation adopted pursuant to this section, or that the registrant has engaged in any conduct that is not in the best interest of the public's health, safety, or general welfare. Any action taken pursuant to this subdivision does not prohibit the commencement of an administrative or criminal action by the Attorney General, a district attorney, or county counsel.

(j) The department may require an eligible organization to pay an annual registration fee of up to one hundred dollars (\$100) per year to cover the actual costs of the department to administer and enforce this section. The annual registration fees shall be deposited by the department into the Gambling Control Fund.

(k) No fundraiser permitted under this section may be conducted by means of, or otherwise utilize, any gaming machine, apparatus, or device that meets the definition of a slot machine contained in Section 330b or 330.1 of the Penal Code.

(l) No more than four fundraisers at the same location, even if sponsored by different nonprofit organizations, shall be permitted in any calendar year, except in rural areas where preapproved by the department. For purposes of this section, "rural" shall mean

any county with an urban influence code, as established by the latest publication of the Economic Research Service of the United States Department of Agriculture, of "3" or more.

(m) The authority to conduct a fundraiser, as well as the type of controlled games, may be governed by local ordinance.

(n) No person shall be permitted to participate in the fundraiser unless that person is at least 21 years of age.

(o) No fundraiser permitted under this section may be operated or conducted over the Internet.

#### **19987. Supplier of Equipment or Services to Conduct Nonprofit Fundraiser Registration Requirement**

(a) The department, by regulation or order, may require any person or entity set forth in subdivision (b), to register with the department.

(b) "Person or entity" means one who, directly or indirectly, manufactures, distributes, supplies, vends, leases, or otherwise provides, supplies, devices, or other equipment designed for use in the playing of controlled games by any nonprofit organization registered to conduct controlled games.

## **Title 4. Business Regulations; Division 18 California Gambling Control Commission**

### **Chapter 1. General Provisions**

#### **Section 12002. General Definitions**

Unless otherwise specified, the definitions in Business and Professions Code section 19805, supplemented by the definitions found in Chapter 10 of Title 9 of Part 1 of the Penal Code (commencing with section 330), shall govern the construction of this division. As used in this division:

(a) "BCII" means the Bureau of Criminal Identification and Information in the California Department of Justice.

(b) "California Games" means controlled games that feature a rotating player-dealer position, as described in Penal Code section 330.11.

(c) "Commission" means the California Gambling Control Commission.

(d) "Conviction" means a plea or verdict of guilty or a plea of *nolo contendere*, irrespective of a subsequent order of expungement under the provisions of Penal Code section 1203.4, 1203.4a, or 1203.45, or a certificate of rehabilitation under the provisions of Penal Code section 4852.13. Any plea entered pursuant to Penal Code section 1000.1 does not constitute a conviction for purposes of Business and Professions Code section 19859, subdivisions (c) or (d) unless a judgment of guilty is entered pursuant to Penal Code section 1000.3.

(e) "Deadly weapon" means any weapon, the possession or concealed carrying of which is prohibited by Penal Code section 12020.

(f) "Division" means the Division of Gambling Control in the California Department of Justice. For the filing of any reports or forms, Division refers to the Sacramento office of the Division of Gambling Control.

(g) "Executive Director" means the executive officer of the Commission, as provided in Business and Professions Code section 19816.

(h) "Gambling Control Act" or "Act" means Chapter 5 (commencing with Section 19800) of Division 8 of the Business and Professions Code.

(i) "Registrant" means a person having a valid registration issued by the Commission.

**Authority:** Sections 19811, 19823, 19824,19840, 19841, 19853(a)(3), and 19854, Business and Professions Code.

**Reference:** Sections 7.5, 19800, 19805, 19811, 19816, and 19951, Business and Professions Code.

#### **Section 12004. Change of Address**

A registrant or licensee shall report to the Commission any change of address within ten days of such change on a form entitled "Notice of Address Change" CGCC-032 (New 06-05), which is attached in Appendix A to this Chapter.

**Authority:** Section 19811, 19823, 19824, 19853(a)(3), 19864, and 19984, Business and Professions Code.

**Reference:** Sections 19850 and 19852, Business and Professions Code.

## **Chapter 2. Work Permits**

### **Article 1. Definitions And General Provisions**

#### **Section 12100. Definitions**

The following definitions govern the construction of the regulations contained in this Chapter:

(a) "Executive Director" means the executive officer of the Commission, as provided in Business and Professions Code section 19816(a), or his or her designee. If the Executive Director position is vacant, then "Executive Director" means the officer or employee who shall be designated by the Commission.

(b) "Gambling Enterprise Employee" has the same meaning as defined in Business and Professions Code section 19805, subdivision (l).

(c) "Gambling Establishment" or "Establishment" has the same meaning as defined in Business and Professions Code section 19805, subdivision (m).

(d) "Regular Work Permit" or "Work Permit" means a work permit issued pursuant to Business and Professions Code section 19912 for a period of no more than two years.

(e) "Temporary Work Permit" means a work permit issued pursuant to this article to a prospective gambling enterprise employee in accordance with Business and Professions Code section 19824, subdivision (f), valid for a period not to exceed 120 days from the date of issuance.

**Authority:** Sections 19811, 19823, 19824, 19840, 19841 and 19912, Business and Professions Code.

**Reference:** Sections 10, 19800, 19811, 19816 and 19912, Business and Professions Code.

#### **Section 12101. Forms**

The following forms shall be used as specified in this chapter:

(a) "Renewal Work Permit Application Form" means the "Application for Work Permit Renewal" CGCC 023 (Rev. 12-06) which is hereby incorporated by reference.

(b) "Replacement Badge Application" means the "Application for Replacement Work Permit Badge" CGCC 026 (Rev. 12-06) which is hereby incorporated by reference.

(c) "Transfer of Work Permit Application Form" means the "Application for Transfer of Work Permit" CGCC 022 (Rev. 12-06) which is hereby incorporated by reference.

(d) "Work Permit Application Form" means the "Application for Regular and Temporary Work Permit" CGCC 021 (Rev. 12-06) which is hereby incorporated by reference.

**Authority:** Sections 19811, 19823, 19824, 19840, 19841 and 19912, Business and Professions Code.

**Reference:** Sections 10, 19800, 19811, 19816 and 19912, Business and Professions Code.

## ***Article 2. Regular Work Permits***

### **Section 12104. Term of Work Permit**

As provided in Business and Professions Code section 19912, a work permit issued by the Commission is valid for two years. If a temporary work permit is issued, the term of the subsequently issued regular work permit shall run from the date of the issuance of the temporary work permit.

**Authority:** Sections 19811, 19823, 19824, 19840, 19841 and 19912, Business and Professions Code.

**Reference:** Sections 10, 19800, 19811, 19816 and 19912, Business and Professions Code.

### **Section 12105. Mandatory and Discretionary Grounds for Denial of Work Permit**

(a) An application for a work permit shall be denied by the Commission if either of the following applies:

(1) The applicant meets any of the criteria for mandatory disqualification under Business and Professions Code section 19859.

(2) The applicant is found unqualified pursuant to the criteria set forth in subdivisions (a) or (b) of Business and Professions Code section 19857.

(b) An application for a work permit may be denied by the Commission if it finds any of the following:

(1) Cause set forth in Business and Professions Code section 19914, subdivision (a), paragraphs (1) through (9), inclusive.

(2) Within ten years immediately preceding the submission of the application, the applicant was convicted of any of the following offenses:

(A) A misdemeanor involving a firearm or other deadly weapon.

(B) A misdemeanor involving gaming or gaming-related activities prohibited by Chapter 9 (commencing with section 319) and Chapter 10 (commencing with section 330) of Title 9 of Part 1 of the Penal Code.

(C) A misdemeanor involving a violation of an ordinance of any city, county, or city and county, which pertains to gambling or gambling-related activities.

(D) A misdemeanor involving a violation of the Gambling Control Act.

(E) A misdemeanor involving dishonesty or moral turpitude whether or not the applicant was granted relief pursuant to Sections 1203.4, 1203.4a, or 1203.45 of the Penal Code.

(c) The grounds for denial set forth in this section apply in addition to any grounds prescribed by statute.

(d) The criteria set forth in this section shall constitute grounds for objection to the issuance of a work permit by a city, county, or city and county pursuant to Business and Professions Code section 19912.

(e) The provisions of Business and Professions Code sections 19857, 19859, and 19914, subdivision (a) shall be deemed incorporated by reference into this regulation for the purposes set forth in this section. For the purposes of this section, the criteria incorporated by reference in these regulations from Business and Professions Code section 19914, subdivision (a), apply to conduct or events occurring prior to the filing of an application for a work permit.

**Authority:** Sections 19811, 19824, 19840, 19841 and 19912, Business and Professions Code.

**Reference:** Sections 19800, 19811, 19816, 19857, 19859, 19911, 19912 and 19914(b), Business and Professions Code.

### ***Article 3. Temporary Work Permits***

#### **Section 12120. Temporary Work Permits**

(a) While the Division is processing an application for a regular work permit, and subject to section 12122, the Executive Director, or any employee of the Commission designated in writing by the Executive Director, may issue a temporary work permit pursuant to this article, which shall be valid for no more than 120 days. The duration of the temporary work permit shall not substantially exceed the estimated time to process and consider the application for a regular work permit, but may be extended if necessary; provided that in no event shall a temporary work permit be valid for more than 120 days. Any temporary work permit issued in accordance with this article shall not create a property right in its holder. In order to protect the public, each temporary work permit shall be issued subject to the conditions specified in section 12128.

(b) Upon issuance or denial of a regular work permit by the Commission, the temporary work permit previously issued shall become void and shall not be used thereafter.

(c) If the regular work permit is not issued within 120 days of the issuance of the temporary work permit, the applicant may submit an application for a new temporary work permit to the Commission. The Executive Director shall waive the fee for the new temporary work permit upon request of the applicant.

(d) In the event that the regular work permit is issued prior to action by the Executive Director on the application for the temporary work permit, the application for the temporary work permit shall be deemed withdrawn and no further action will be taken on it.

(e) If an application for a temporary work permit is incomplete, the Executive Director may request in writing any information needed in order to complete the application. The Executive Director shall allow the applicant 30 days in which to furnish the information. If the applicant fails to respond to the request, the temporary work permit application shall be deemed abandoned and no further action will be taken on it.

(f) If the applicant submits a request for withdrawal of his or her application for a regular work permit, the application for a temporary work permit shall be deemed abandoned and no further action will be taken on it by the Executive Director.

**Authority:** Sections 19811, 19823, 19824, 19840, 19841 and 19912, Business and Professions Code.

**Reference:** Sections 10, 19801(j), 19811, 19816, 19866, 19910 and 19912, Business and Professions Code.

### **Section 12122. Criteria for the Issuance of Temporary Work Permits**

The Executive Director shall issue a temporary work permit if all of the following requirements are met:

(a) The applicant has applied for a temporary work permit by completing the Commission's work permit application form, requesting issuance of a temporary work permit by checking the appropriate box on the application form, and submitting with the application a nonrefundable \$ 25.00 temporary work permit fee, in addition to the regular work permit fee of \$ 250.00 paid pursuant to Business and Professions Code section 19915.

(b) The applicant has supplied all of the following to the Commission:

(1) The applicant's name, mailing address, residence street address (if different than mailing address), telephone number, e-mail address (optional), and date of birth.

(2) A two by two inch color passport-style photograph taken no more than 30 days before submission to the Commission of the work permit application, which shall be in addition to the photograph submitted for the regular work permit.

(3) Information concerning the gambling establishment in which the position is available: the name of the gambling establishment, mailing address, voice telephone number, facsimile number (if any), e-mail address (if any), the job title of the position, and the name of the owner, authorized agent, or hiring authority of the establishment.

(4) A Request for Live Scan Service (California Department of Justice Form BCII 8016, rev. 4/01.) confirming that the applicant has submitted his or her fingerprints to the BCII for an automated background check and response.

(c) Neither the application in its entirety nor the results of the investigation of the applicant reported by the Division to the Commission up until the date of issuance of the temporary work permit discloses any of the following:

(1) The applicant has been convicted of any felony.

(2) The applicant has, within the 10-year period immediately preceding the submission of the application, been convicted of any of the following offenses, not including convictions which have been expunged or dismissed as provided by law:

(A) A misdemeanor involving a firearm or other deadly weapon.

(B) A misdemeanor involving gaming or gaming-related activities prohibited by Chapter 9 (commencing with section 319) and Chapter 10 (commencing with section 330) of Title 9 of Part 1 of the Penal Code.

(C) A misdemeanor involving a violation of an ordinance of any city, county, or city and county, which pertains to gambling or gambling-related activities.

(D) A misdemeanor involving violations of the Gambling Control Act.

(E) A misdemeanor involving dishonesty or moral turpitude.

(3) The applicant has had an application for a gambling license or work permit denied.

(4) The applicant has had a gambling license or work permit revoked.

(5) The applicant is disqualified under the Gambling Control Act or other provisions of law from holding a work permit.

(d) The Division has reported one of the following to the Commission concerning the Request for Live Scan Service submitted to the BCII:

(1) A response has been received from the BCII or Federal authorities that is consistent with a finding that the applicant has not sustained any disqualifying criminal convictions, or,

(2) No response from the BCII or Federal authorities has been received within the time period set forth in subsection (b) of section 12126.

(e) The application and other information obtained during the review does not disclose any factor indicating that approval of the temporary work permit may in the judgment of the Executive Director present a danger to the public or to the reputation of controlled gambling in this state.

(f) The applicant is not ineligible under Business and Professions Code section 19859, subdivision (b), (e), (f), or (g), the terms of which are incorporated by reference and hereby expressly made applicable to applications for temporary work permits.

**Authority:** Sections 19811, 19823, 19824, 19840, 19841 and 19912, Business and Professions Code.

**Reference:** Sections 19811, 19816, 19823, 19859 and 19912, Business and Professions Code.

#### **Section 12124. Effect of Denial or Cancellation of Temporary Work Permit**

Denial of an application for a temporary work permit or cancellation of a temporary work permit shall not suspend the processing and review of the related application for a regular work permit.

**Authority:** Sections 19811(a), 19823, 19824, 19840 and 19841, Business and Professions Code; and Section 15376, Government Code.

**Reference:** Sections 19824, 19910 and 19912, Business and Professions Code.

#### **Section 12126. Processing Times for Temporary Work Permit**

Applications for issuance of a temporary work permit by the Executive Director shall be processed within the following time frames:

(a) The maximum time within which the Executive Director shall notify the applicant in writing that an application or a resubmitted application is complete and accepted for filing, or that an application or a resubmitted application is deficient and identifying what specific additional information is required, is five working days after receipt of the application.

(b) A temporary work permit shall be either granted or denied within no more than 15 working days after the filing of a complete application.

**Authority:** Sections 19811, 19823, 19824, 19840 and 19841, Business and Professions Code; and Section 15376, Government Code.

**Reference:** Sections 15375 and 15376, Government Code; and Sections 19824(f) and 19912, Business and Professions Code.

#### **Section 12128. Cancellation of Temporary Work Permit**

(a) Any temporary work permit issued in accordance with this article shall be subject to summary cancellation pursuant to subsections (b) and (c) of this section.

(b) A temporary work permit shall be cancelled by the Executive Director at any time if any of the following applies:

(1) The Commission determines that it has received reliable information that the

holder of the temporary work permit is ineligible under subsection (c) of section 12122, has failed to reveal any fact material to the holder's qualification for a temporary work permit, or has supplied information to the Commission that is untrue or misleading as to a material fact pertaining to the criteria for issuance of temporary work permits.

(2) Pursuant to Business and Professions Code section 19826, the Division recommends denial of a regular work permit to the applicant.

(3) The applicant's regular work permit application is referred by a vote of the Commission for an evidentiary hearing pursuant to Business and Professions Code section 19825, and the Commission directs the Executive Director to cancel the temporary work permit.

(4) The Executive Director receives from the applicant a request to withdraw his or her application for a regular work permit.

(c) If any of the circumstances set forth in subsection (b) applies, then the Executive Director or his or her designee shall immediately do all of the following:

(1) Notify the temporary work permit holder, the gambling establishment, the local law enforcement agency, and the Division in writing of the cancellation of the temporary work permit and the grounds thereof.

(2) Require the holder of the license for the gambling establishment or its hiring authority to terminate immediately any employment of the holder covered by the cancelled temporary work permit.

(3) Notify the temporary work permit holder that he or she is required to surrender the temporary work permit to the Commission not more than ten days following the date that the notice of cancellation was mailed or such greater time as is authorized by the Executive Director.

**Authority:** Sections 19811, 19823, 19824, 19840 and 19841, Business and Professions Code.

**Reference:** Sections 10, 19801, 19816, 19824(f) and 19912(a) and (d), Business and Professions Code.

#### ***Article 4. Change In Place Of Employment--Work Permit Transfer***

##### **Section 12130. Change in Place of Employment--Work Permit Transfer**

(a) The holder of a currently valid regular work permit may apply for a new work permit for a different place of employment in accordance with this article.

(b) The Executive Director shall issue a regular work permit to an applicant for a new place of employment if all of the following conditions are met:

(1) The applicant has applied for a work permit transfer by completing the Commission's transfer of work permit application form.

(2) The applicant has supplied all of the following to the Commission:

(i) The applicant's name, mailing address, residence street address (if different than mailing address), telephone number, e-mail address (optional), and date of birth.

(ii) A two by two inch color passport-style photograph taken no more than 30 days before submission to the Commission of the work permit transfer request.

(iii) A nonrefundable \$ 25.00 fee payable to the Commission.

(iv) Information concerning the new employer in which the position is available: the name of the gambling establishment, mailing address, voice

telephone number, facsimile number (if any), e-mail address (if any), the job title of the position, and the name of the owner, authorized agent, or hiring authority of the establishment.

(3) The applicant possesses a valid work permit issued by the Commission or the Division that has been issued or renewed within a two-year period immediately preceding the date that the work permit transfer application is received by the Commission. The applicant shall provide the Commission with a photocopy of the valid work permit.

(4) The applicant seeks to change his or her place of employment from the gambling establishment for which the valid work permit was issued to a different licensed gambling establishment for which a work permit issued by the Commission is required by the Act.

(5) The Executive Director is not aware of any cause for revocation of the work permit.

(c) A work permit issued pursuant to this section shall be valid during the unexpired term of the previously issued work permit.

(d) If a work permit is issued pursuant to this section, the Executive Director shall promptly inform the Division in writing of this decision.

(e) Upon issuance of a regular work permit pursuant to this section for the applicant's new place of employment, the regular work permit issued for the previous employer shall become void and shall not be used thereafter.

**Authority:** Sections 19811, 19823, 19824, 19840, 19841 and 19912, Business and Professions Code.

**Reference:** Sections 10, 19801, 19816, 19824(f) and 19912(d), Business and Professions Code.

### **Section 12132. Processing Times for Application to Change Place of Employment**

Applications submitted pursuant to section 12130 shall be processed within the following time frames:

(a) The maximum time within which the Executive Director shall notify the applicant in writing that an application or a resubmitted application is complete and accepted for filing, or that an application or a resubmitted application is deficient and identifying what specific additional information is required, is five working days after receipt of the application.

(b) A work permit shall be either granted or denied within no more than 15 working days after the filing of a complete application.

**Authority:** Sections 19811, 19823, 19824, 19840 and 19841, Business and Professions Code; and Section 15376, Government Code.

**Reference:** Sections 15375 and 15376, Government Code; and Sections 19824 and 19912, Business and Professions Code.

## **Article 5. Replacement Work Permit Badges**

### **Section 12140. Replacement Work Permit Badges**

(a) The Executive Director shall issue a replacement work permit badge to a gambling enterprise employee if all of the following conditions are met:

(1) The applicant has previously been issued a currently valid work permit.

(2) The applicant has applied for a replacement work permit badge by

completing the Commission's replacement badge application.

- (3) The applicant has supplied all of the following to the Commission:
- (i) The applicant's name, mailing address, residence street address (if different than mailing address), telephone number, e-mail address (optional), and date of birth.
  - (ii) A two by two inch color passport-style photograph taken no more than 30 days before submission to the Commission of the work permit transfer request.
  - (iii) A nonrefundable \$ 25.00 fee payable to the Commission.
  - (iv) Information concerning the gambling establishment for which the replacement badge is requested: the name of the gambling establishment, mailing address, voice telephone number, facsimile number (if any), e-mail address (if any), the job title of the position, and the name of the owner, authorizing agent, or hiring authority of the establishment.
- (4) The Executive Director is not aware of any cause for revocation of the work permit.
- (b) A replacement work permit badge issued pursuant to this section shall be valid during the unexpired term of the previously issued work permit.
- (c) Upon issuance of the replacement work permit badge, the previously issued work permit badge for that gambling establishment shall become void and shall not be used thereafter.

**Authority:** Sections 19811, 19823, 19824, 19840, 19841 and 19912, Business and Professions Code.

**Reference:** Sections 10, 19801, 19816, 19824(f) and 19912, Business and Professions Code.

#### **Section 12142. Processing Times for Application to Replace Work Permit Badge**

Applications submitted pursuant to section 12140 shall be processed within the following time frames:

- (a) The maximum time within which the Executive Director shall notify the applicant in writing that an application or a resubmitted application is complete and accepted for filing, or that an application or a resubmitted application is deficient and identifying what specific additional information is required, is five working days after receipt of the application.
- (b) A replacement work permit badge shall be either issued or denied within no more than 15 working days after the filing of a complete application.

**Authority:** Sections 19811, 19823, 19824, 19840 and 19841, Business and Professions Code; and Section 15376, Government Code.

**Reference:** Sections 15375 and 15376, Government Code; and Sections 19824 and 19912, Business and Professions Code.

## **Chapter 2.1. Third-Party Providers Of Proposition Player Services: Registration; Licensing**

### **Article 1. Definitions and General Provisions**

#### **Section 12200. Definitions.**

(a) Except as otherwise provided in section 12002 and in subsection (b) of this regulation, the definitions in Business and Professions Code section 19805 shall govern the construction of this chapter.

(b) As used in this chapter:

(1) "Additional Badge" means a badge issued by the Commission pursuant to Section 12200.6, which authorizes an individual registrant or licensee to be simultaneously employed by more than one primary owner.

(2) "Applicant" means an applicant for registration or licensing under this chapter, including in the case of an owner that is a corporation, partnership, or any other business entity, all persons whose registrations or licenses are required to be endorsed upon the primary owner's registration or license certificate.

(3) "Authorized player" means an individual associated with a particular primary owner whose badge authorizes play in a controlled game on behalf of the primary owner, including the primary owner, all other owners, all supervisors, and all players. Only authorized players may perform the functions of a supervisor or player.

(4) "Badge" means a form of identification issued by the Commission identifying a registrant or licensee.

(5) [RESERVED]

(6) [RESERVED]

(7) [RESERVED]

(8) "Division" means the Division of Gambling Control in the California Department of Justice. Information that this chapter requires to be sent to the Division shall be submitted in writing to the Sacramento office of the Division.

(9) [RESERVED]

(10) "Funding source" means any person that provides financing, including but not limited to loans, advances, any other form of credit, chips, or any other representation or thing of value, to an owner-registrant or owner-licensee, other than individual registrants under Subsection (d) of Section 12201 or individual licensees. "Funding source" does not include any federally or state chartered lending institution or any of the following entities that in the aggregate owns at least one hundred million dollars (\$100,000,000) of securities of issuers that are not affiliated with the entity:

(A) Any federally-regulated or state-regulated bank or savings association or other federally- or state-regulated lending institution.

(B) Any company that is organized as an insurance company, the primary and predominant business activity of which is the writing of insurance or the reinsuring of risks underwritten by insurance companies, and that is subject to supervision by the Insurance Commissioner of California, or a similar official or agency of another state.

(C) Any investment company registered under the federal Investment Company Act of 1940 (15 U.S.C. sec. 80a-1 et seq.).

(D) Any retirement plan established and maintained by the United States, an agency or instrumentality thereof, or by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, for

the benefit of its employees.

(E) Any employee benefit plan within the meaning of Title I of the federal Employee Retirement Income Security Act of 1974 (29 U.S.C. sec. 1001 et seq.).

(F) Any securities dealer registered pursuant to the federal Securities Exchange Act of 1934 (15 U.S.C. sec. 78a et seq.).

(G) Any entity, all of the equity owners of which individually meet the criteria of this paragraph (10).

(11) [RESERVED]

(12) "License" means a license issued by the Commission pursuant to article 3 of this chapter.

(A) There are four license categories entitling the holder to provide third-party proposition player services:

1. Primary owner,
2. Owner,
3. Supervisor, and
4. Player.

(B) All "other employees" (as defined in this section) of the primary owner who are present in the gambling establishment during the provision of proposition player services under the primary owner's proposition player contract shall be licensed as "other employee" and shall be required to submit an application and be approved or denied based upon the same criteria that apply to a player.

(C) A primary owner and an owner may also perform the functions of a supervisor or player, and the holder of a supervisor's license may also perform the functions of a player.

(D) No licensee, other than an owner, supervisor, or player, may possess, direct, or otherwise control currency, chips, or other wagering instruments used for play in the performance of a proposition player contract.

(13) "Licensee" means a person having a valid license.

(14) "Organization chart" means a chart that identifies the names and titles of all owners, as defined in section 12200, supervisors, and any persons having significant influence over the operation of the entity or provision of proposition player services; the percentage of ownership, if any, held by each identified individual or entity; the reporting relationship for each identified individual or entity; and the job title and number of persons in each of the job titles that report to each individual or entity identified on the organization chart.

(15) "Other employee" means an individual employed by a primary owner who is not authorized to provide proposition player services. "Other employee" does not include any owner, any supervisor, or any officer or director of a primary owner that is a corporation. An individual registered or licensed as an "other employee" may not function as a player unless and until that individual applies for and obtains registration or licensure as a player.

(16) "Owner" includes all of the following:

(A) A sole proprietor, corporation, partnership, or other business entity that provides or proposes to provide third party proposition player services as an independent contractor in a gambling establishment,

(B) Any individual specified in Business and Professions Code section 19852, subdivisions (a) through (h), and

- (C) Any funding source.
- (17) "Playing Book" means a record documenting each session of play by a third-party proposition player.
- (18) "Primary Owner" means the owner specified in subparagraph (A) of paragraph (16) of this subsection.
- (19) "Proposition player" or "player" means an individual other than an owner or a supervisor who provides third-party proposition player services in a controlled game.
- (20) "Proposition player contract" or "contract" means a written contract, the terms of which have been reviewed and approved by the Division, between the holder of a state gambling license and a primary owner acting as an independent contractor for the provision of third-party proposition player services in the gambling establishment.
- (21) "Rebate" means a partial return by an authorized proposition player of chips or money to a patron who has lost the chips or money to the authorized player through play in a controlled game at a gambling establishment.
- (22) "Registrant" means a person having a valid registration.
- (23) "Registration" means a registration issued by the Commission pursuant to this chapter.
- (A) There are four registration categories entitling the holder to provide third-party proposition player services: primary owner, owner, supervisor, and player.
- (B) All other employees of the primary owner who are present in the gambling establishment during the provision of proposition player services under the primary owner's proposition player contract shall be registered as "other employee" and shall be required to submit an application, which application shall be approved or denied based upon the same criteria that apply to a player.
- (C) A primary owner and an owner may also perform the functions of a supervisor or player, and the holder of a supervisor's registration or license may also perform the functions of a player. No registrant, other than an owner, supervisor, or player, may possess, direct, or otherwise control currency, chips, or other wagering instruments used for play in the performance of a proposition player contract.
- (24) "Reinstatement Badge" means a badge issued by the Commission to a player, a supervisor, or an "other employee" pursuant to Section 12200.6 which authorizes an individual registrant or licensee who has ceased to be employed by a primary owner to return to work for that primary owner.
- (25) "Session of play" as used in Section 12200.13 ("Playing Book") means a continuous workshift of third-party proposition player services provided by an individual proposition player.
- (26) "Supervisor" means an individual who, in addition to any supervisory responsibilities, has authority, on behalf of the primary owner, to provide or direct the distribution of currency, chips, or other wagering instruments to players engaged in the provision of third-party proposition player services in a gambling establishment.
- (27) "Supplemental information package" means all of the documentation and deposits required by each of the following forms (which are hereby incorporated

by reference) to be submitted to the Commission in response to a summons issued by the Division pursuant to Section 12205.1:

- (A) Owners, as defined in Section 12200, that are a natural person shall complete the form Level III Supplemental Information-Individual (DGC-APP. 034A, New 08/04) for a level III investigation.
  - (B) Owners, as defined in Section 12200 that are not a natural person shall complete the form Level III Supplemental Information-Business (DGC-APP. 034B, New 08/04) for a level III investigation.
  - (C) Supervisors, as defined in Section 12200, shall complete the form Level II Supplemental Information (DGC-APP. 033, New 08/04) for a level II investigation.
  - (D) Other employees and players, as defined in Section 12200, shall complete the form Level I Supplemental Information (DGC-APP. 032, New 08/04) for a level I investigation.
- (28) "Third-party proposition player services" or "proposition player services" means services provided in and to the house under any written, oral, or implied agreement with the house, which services include play as a participant in any controlled game that has a rotating player-dealer position as permitted by Penal Code section 330.11. "Proposition player services" also includes the services of any supervisors, as specified in paragraph (26) of this subsection.
- (29) "TPP" means "third party proposition." This abbreviation is used in Section 12200.3 and in prescribing titles to be used on registrant and licensee badges, for example, "TPP Player Registrant."
- (30) "Transfer Badge" means a badge issued by the Commission pursuant Section 12200.6 which authorizes an individual registrant or licensee to work for a subsequent primary owner after having ceased to work for an initial primary owner.

**Authority:** Sections 19840, 19841, and 19984, Business and Professions Code

**Reference:** Sections 19805 and 19984, Business and Professions Code

### **Section 12200.1. Certificate.**

- (a) The Commission shall issue a registration or license certificate with an expiration date, as applicable, to each primary owner.
- (b) The Commission shall endorse upon each certificate the names of all other owners affiliated with the primary owner.

**Authority:** Sections 19840, 19841, and 19984, Business and Professions Code

**Reference:** Section 19984, Business and Professions Code

### **Section 12200.3. Badge.**

- (a) All individuals licensed or registered as primary owners, owners, supervisors, players, or other employees of the primary owner shall wear in a prominently visible location a numbered badge issued by the Commission when present in a gambling establishment during the provision of proposition player services under the proposition player contract that covers the licensee or registrant.
- (b) A badge authorizing play in a controlled game shall be of a distinctly different color than a badge, which identifies a registrant or licensee, but does not authorize play. If an individual ceases to be employed by or affiliated with a particular primary owner, that

individual shall surrender his or her badge to the primary owner. The primary owner shall notify the Commission and the Division in writing within ten (10) days of the change in status using the Change in Status Form for a Third Party Proposition Player Services Registration (CGCC-441, Rev. 09/04), which is hereby incorporated by reference; with this form, the primary owner shall submit the registrant's or licensee's badge.

(c) The words "TPP PLAYER REGISTRANT," "NON-PLAYER TPP REGISTRANT," "TPP PLAYER LICENSEE," OR "NON-PLAYER TPP PLAYER LICENSEE" in capital letters shall be prominently displayed on the front of the badge. The first name of the registrant or licensee shall appear on the front of the badge. The full name of the registrant or licensee shall be printed on the reverse side of the badge, together with the registrant's or licensee's category of registration or licensing as an owner, supervisor, player, or other employee.

(d) On the front of the badge, there shall be displayed the picture of the registrant or licensee submitted with the application, the badge number, and expiration date. On the front of the badge, there shall be displayed the name of the primary owner employing the registrant or licensee, which shall be the fictitious business name, if any, established pursuant to Chapter 5 (commencing with Section 17900) of Part 3 of Division 7 of the Business and Professions Code.

(e) Upon renewal of each registration and upon issuance of each registration or license, authorized players shall be issued a badge of one color; individuals not authorized to play shall be issued a badge of a distinctly different color. Any non-player badge issued prior to July 1, 2004, shall be re-issued upon renewal pursuant to subsection (b), so that each registrant receives either a player or non-player badge.

(f) An individual registered or licensed as a player with a particular primary owner shall apply for and obtain a new badge pursuant to section 12200.6 before beginning to work for an additional or different primary owner.

(g) Registrations, licenses, and badges are specific to the primary owner. Third party proposition player services cannot be provided without first applying for and obtaining a registration, license, or badge.

**Authority:** Sections 19840, 19841, and 19984, Business and Professions Code

**Reference:** Section 19984, Business and Professions Code

#### **Section 12200.5. Replacement of Badge.**

(a) Upon submission of a request, the Executive Director shall issue a replacement badge if all of the following conditions are met:

- (1) The requester has a current valid registration or license.
- (2) The request is complete and has been submitted on the form Request for Replacement Third Party Proposition Player Services Badge (CGCC-438, Rev. 09/04), which is hereby incorporated by reference.
- (3) The requester has supplied all of the following to the Commission:
  - (A) A nonrefundable twenty-five dollar (\$25) fee, payable to the Commission.
  - (B) The category of the position and information concerning the primary owner for which the replacement badge is requested: the name of the primary owner, mailing address, voice telephone number, facsimile number (if any), and email address (if any).
  - (C) A statement under penalty of perjury that a replacement badge is needed

due to a name change or to loss or destruction of the originally issued badge.

(b) A replacement badge issued pursuant to this section shall be valid during the unexpired term of the previously issued registration or license.

(c) Upon issuance of the replacement badge, the previously issued badge for that third-party proposition services provider shall become void and shall not be used.

(d) Replacement badges shall be issued by the Commission within seven (7) days of receipt of a complete request.

**Authority:** Sections 19840, 19841, and 19984, Business and Professions Code

**Reference:** Section 19984, Business and Professions Code

**Section 12200.6. Transfer or Reinstatement of Player Registration or License; Issuance of Additional Badge.**

(a) Upon submission of a request, the Executive Director shall issue a player transfer badge, reinstatement badge, or additional badge if all of the following conditions are met:

(1) The requester has a currently valid registration or license.

(2) The request is complete and has been submitted on the form Request for an Additional/Transfer/Reinstatement Third Party Proposition Player Services Registration/License (CGCC-439, Rev. 09/04), which is hereby incorporated by reference.

(3) The requester has supplied all of the following to the Commission:

(A) A nonrefundable one hundred and twenty-five dollar (\$125) fee payable to the Commission.

(B) The names as applicable of the current and future primary owner (or previous owner or additional owner), mailing address, voice telephone number, facsimile number (if any), and email address (if any).

(b) A badge issued pursuant to this section shall be valid during the unexpired term of the previously issued registration or license.

(c) Upon issuance of the transfer badge, the previously issued badge for that third-party proposition services provider shall become void and shall not be used.

(d) Transfer, additional, and reinstatement badges shall be issued by the Commission within seven (7) days of receipt of a complete request.

**Authority:** Sections 19840, 19841, and 19984, Business and Professions Code

**Reference:** Section 19984, Business and Professions Code

**Section 12200.7. Proposition Player Contract Criteria.**

(a) All proposition player contracts shall be subject to, and superseded by, any changes in the requirements of regulations adopted under Business and Professions Code section 19984 that conflict with or supplement provisions of the proposition player contract.

(b) Each proposition player contract shall specifically require all of the following to be separately set forth at the beginning of the contract in the following order:

(1) The names of the parties to the contract.

(2) The effective dates of the contract; expiration date shall be the last day of the month.

(3) The specific name of the Division-approved gaming activities for which proposition player services may be provided.

- (4) The maximum and minimum number of gaming tables available to the proposition player provider service.
- (5) That no more than one owner, supervisor, or player from each provider of proposition player service shall simultaneously play at a table.
- (6) The hours of operation that proposition player services will be provided.
- (7) A detailed description of the location, applicable security measures, and purpose of any currency, chips, or other wagering instruments that will be stored, maintained, or kept within the gambling establishment by or on behalf of the primary owner.
- (8) That proposition player services shall be provided in the gambling establishment only in compliance with laws and regulations pertaining to controlled gambling.
- (9) That proposition player services may be provided only by authorized players with current registration or licensing under this chapter.
- (10) That the primary owner shall provide the gambling establishment with a copy of its registration or license certificate, and that the gambling establishment shall maintain the certificate on file, together with a copy of the proposition player contract applying to that establishment.
- (11) That a registrant or licensee may not provide proposition player services in a gambling establishment for which the registrant holds a state gambling license, key employee license, or work permit.
- (12) That collection fees charged by the house for participation in any controlled game shall be the same as those charged to other participants during the play of the game.
- (13) The form to be used for the playing book record and the initial number that will be used for the sequentially numbered forms.
- (14) Any agreement between the primary owner and the house for owners or supervisors to inspect or receive a copy of surveillance recordings of tables at which proposition player services are provided under the contract during the times the services are provided, as necessary for business purposes.
- (15) A full disclosure of any financial arrangements entered into during the term of the contract for any purpose between the house and any registrant or licensee covered by the proposition player contract. If there is no financial consideration that passes under the contract, a statement to that effect shall be included.
- (16) That any legal dispute between the primary owner and the house, including any exclusion of a registered or licensed owner, player, or supervisor covered by the contract with the house shall be reported in writing within ten (10) days by the primary owner and the house to both the Commission and the Division.
- (17) That the primary owner and the house shall report in writing within ten (10) days to both the Commission and the Division the identity of any registrant whose activities are covered by the proposition player contract and who is arrested in the gambling establishment by a peace officer, who is removed from the gambling establishment by a peace officer or the house, or who is involved in a patron dispute regarding his or her activities in the gambling establishment that is the subject of a report to a peace officer and that results in removal of one or more individuals.
- (18) That any cheating reported to the house by a registrant or licensee shall be reported in writing within five (5) days of the incident by the primary owner and the house to the Commission and Division.

(19) That the criteria for granting any rebates by proposition players to patrons be fully disclosed in the contract; and that neither the house nor any employee of the house shall have any role in rebates. If there are no criteria for granting rebates, a statement to that effect shall be included.

(20) That any tipping arrangements shall be specified in the contract and that percentage tips shall not be given. If there are no tipping arrangements, a statement to that effect shall be included.

(21) That the primary owner may reimburse the house in specified amounts for equipment such as surveillance cameras and monitors, or cards, shuffling machines, and dice. Neither the primary owner nor its employees shall purchase, lease, or control such equipment. If there is no arrangement to reimburse the house for equipment, a statement to that effect shall be included.

(22) That the contract is a complete expression of all agreements and financial arrangements between the parties; that any addition to or modification of the contract, including any supplementary written or oral agreements, must be approved in advance by the Division pursuant to Section 12200.10B (Review and Approval of Amendments to Proposition Player Contracts) before the addition or modification takes effect.

(c) (1) Except as expressly authorized by this subsection (c), a proposition player contract shall not include any provision authorizing payment to or receipt by the house, or a designee thereof, of any share of the profits or revenues of a registrant or a licensee. Any payments made by a registrant or licensee to the house for a purpose determined by agreement with the house shall be specifically authorized by the proposition player contract. All payments shall be specified in the contract. The contract shall identify the total charge for each of the following categories: services, facilities, and advertising. In addition, the contract shall include a detailed list, excluding specific costs, of the items provided or received in each of these categories.

(2) In no event may a proposition player contract provide for any payment based on a percentage or fraction of the registrant's or licensee's gross profits or wagers made or the number of players. All payments shall be fixed and shall only be made for services and facilities requested by, and provided to, the registrant or licensee, and for a reasonable share of the cost of advertising with respect to gaming at the gambling establishment in which the registered or licensed owner participates.

(3) No contract provision shall authorize any payments for services or facilities that are substantially disproportionate to the value of the services or facilities provided. No contract shall include any charge, direct or indirect, for the value of an exclusive right to conduct proposition play within all or a portion of the gambling establishment. No payment other than the collection fee for play, shall be required for play at any table, including, without limitation, reservation of a seat.

(d) The proposition player contract shall not contain any provision that limits contact with officials or employees of the Commission or Division. The proposition player contract shall prohibit an owner or the house from retaliating against any registrant or licensee on account of contact with an official or employee of the Commission or Division or any other public official or agency.

(e) A proposition player contract shall be consistent with the provisions of Business and Professions Code section 19984, subdivision (a), prohibiting a gambling establishment or the house from having any interest, whether direct or indirect, in funds wagered, lost, or

won. No proposition player contract shall be approved that would permit the house to bank any game in the gambling establishment.

(f) Each proposition player contract approved by the Division shall contain a provision authorizing the Commission, after receiving the findings and recommendation of the Division, to terminate the contract for any material violation of any term required by this section.

(g) A primary owner may contract with more than one gambling establishment at the same time; a gambling establishment may contract with more than one primary owner at the same time. This subsection is not intended to prohibit a contract in which a gambling establishment and a primary owner agree that one primary owner shall be the exclusive provider of proposition player services to that gambling establishment.

**Authority:** Sections 19840, 19841, and 19984, Business and Professions Code.

**Reference:** Section 19984, Business and Professions Code

### **Section 12200.9. Review and Approval of Proposition Player Contracts.**

(a) (1) On and after April 30, 2004, proposition player services shall not be provided except pursuant to a written proposition player contract approved in advance by the Division. Provision of proposition player services by any person subject to registration or licensing under this chapter, or engagement of proposition player services by the holder of a state gambling license, without a contract as required by this section is a violation of this section. The Division shall approve a proposition player contract only if all the following requirements have been satisfied:

(A) The contract is consistent with this regulation and the Act.

(B) The contract does not provide for controlled gambling that will be conducted in a manner that is inimical to the public health, safety, or welfare.

(C) The contract will not create or enhance the dangers of unsuitable, unfair, or illegal practices, methods, or activities in the conduct of controlled gambling or in the carrying on of the business and related financial arrangements.

(D) The contract will not undermine public trust that the controlled gambling operations covered by the contract will be conducted honestly, by reason of the existence or perception of any collusive arrangement between any party to the contract and the holder of a state gambling license, or otherwise.

(2) Prior to December 7, 2003, each primary owner providing proposition player services at a gambling establishment on the date that these regulations originally became effective (November 6, 2003) shall submit an Application for Contract Approval Provider of Proposition Player Services (DGC-APP.030, rev. 09/03) which is hereby incorporated by reference.

(3) A complete application for contract approval shall include all of the following:

(A) A completed Application for Contract Approval to Provide Proposition Player Services (DGC-APP.030, rev. 08/04), which is hereby incorporated by reference.

(B) A completed Appointment of Designated Agent for Owners and Proposition Players (DGC-APP.031, rev. 08/04), which is hereby incorporated by reference.

(C) An executed copy of the contract that specifically addresses all of the requirements of Section 12200.7.

(D) A playing book form that specifically addresses all of the requirements of section 12200.13.

(E) A five hundred dollar (\$500) nonrefundable application fee.

(F) The deposit as required by Title 11, California Code of Regulations, section 2037(a)(2)(A). The Division may require an additional sum to be deposited to pay the final costs of the review and approval or disapproval of the contract. Any money received as a deposit in excess of the costs incurred in the review and approval or disapproval of the contract will be refunded and an itemized accounting will be provided to the primary owner, or primary owner's designee.

(4) The Division shall notify the applicant, in writing, within ten working days of receiving the application that the application or resubmitted application is complete or incomplete. If an application is incomplete, the Division shall request, in writing, any information, fees, or documentation needed to complete the application. Unless extended by the Division for further investigation up to 90 days or with the consent of the applicant, review and approval or disapproval of a proposition player contract shall be completed within 90 days of receiving a completed application and notice thereof shall be sent via United States mail to the applicant or the applicant's designee within ten (10) days of the Division's decision. Notice of disapproval of the contract or amendments shall specify the cause.

(b) An executed copy of the currently effective contract, and all amendment(s) thereto, and a copy of all Division notices that approved the contract and any amendment shall be maintained at the gambling establishment and shall be provided for review or copying upon request by any representative of the Commission or Division.

(c) The term of any proposition player contract shall not exceed one year and shall not be extended or renewed without the prior approval of the Division. No amendment changing any of the contract terms referred to in Section 12200.7, other than paragraphs (3), (4), and (6) of subsection (b) thereof, may become effective during the term of a proposition player contract without the prior written approval of the Division. If any amendment is made to a proposition player contract term specified in paragraphs (3), (4), or (6) of subsection (b) of Section 12200.7, both parties to the contract shall notify the Commission and Division in writing of the amendment within 10 days of the execution thereof by the parties to the contract.

**Authority:** Sections 19840, 19841, and 19984, Business and Professions Code

**Reference:** Sections 19951 and 19984, Business and Professions Code

### **Section 12200.10A. Expedited Review and Approval of Proposition Player Contracts.**

(a) In lieu of the procedure specified in Section 12200.9, the Division shall provide an expedited review process of an application for contract approval if all of the following conditions exist:

(1) Proposition player services were provided in the gambling establishment at any time during the 60 days preceding the application pursuant to a contract that was previously approved by the Division and that has been terminated in whole or in part.

(2) The proposed contract is between the house and a different primary owner than the previous contract under which proposition player services were provided in the gambling establishment.

(3) The terms of the proposed contract are substantially identical to the contract previously approved by the Division under which proposition player services were provided in the gambling establishment at any time during the 60 days preceding the application.

(b) If an application for contract approval is submitted as an expedited contract request and the Division determines that it does not meet the criteria, the primary owner or designee and the house shall be notified within three (3) business days of the Division's decision. Any contract that is not processed through the expedited review and approval process shall be treated as a new contract request and reviewed and approved or disapproved as otherwise provided by Section 12200.9(a).

(c) The Division shall complete the expedited review and approval of a contract within five (5) business days of receiving all of the following:

(1) A completed Application for Contract Approval to Provide Proposition Player Services (DGC-APP.030, rev. 08/04), which is hereby incorporated by reference.

(2) A completed Appointment of Designated Agent for Owners and Proposition Players (DGC-APP.031, rev. 08/04), which is hereby incorporated by reference.

(3) An executed copy of the contract that specifically addresses all the requirements of Section 12200.7.

(4) A playing book form that specifically addresses all the requirements of Section 12200.13.

(5) A five hundred dollar (\$500) nonrefundable application fee.

(6) An expedited processing fee of one hundred and fifty dollars (\$150) and a sum of money that, in the judgment of the Director of the Division, will be adequate to pay the anticipated processing costs in accordance with Business and Professions Code section 19867.

**Authority:** Sections 19840, 19841, and 19984, Business and Professions Code

**Reference:** Sections 19951 and 19984, Business and Professions Code

### **Section 12200.10B. Review and Approval of Amendments to Proposition Player Contracts.**

(a) Requests to review and approve an amendment to a proposition player contract shall be submitted with an application for approval (see Section 12200.9(a)(3)(A)) along with an executed copy of the contract, a five hundred dollar (\$500) nonrefundable application fee, and a four hundred and fifty dollar (\$450) deposit as required by Title 11, California Code of Regulations section 2037(a)(2)(B). The Division may require an additional sum to be deposited to pay the final costs of the review and approval or disapproval of the amendment. Any money received as a deposit in excess of the costs incurred in the review and approval or disapproval of the amendment shall be refunded and an itemized accounting shall be provided to the primary owner or the primary owner's designee.

(b) No amendment changing any of the contract terms referred to in Section 12200.7, other than paragraphs (3), (4), and (6) of subsection (b) thereof, may become effective during the term of a proposition player contract without the prior written approval of the Division. If any amendment is made to a proposition player contract term specified in paragraphs (3), (4), or (6) of subsection (b) of Section 12200.7, both parties to the

contract shall notify the Commission and Division in writing of the amendment within ten (10) days of the execution thereof by the parties to the contract.

**Authority:** Sections 19840, 19841, and 19984, Business and Professions Code

**Reference:** Sections 19951 and 19984, Business and Professions Code

**Section 12200.10C. Submission of Contract or Amendment to Commission.**

(a) As soon as is practicable after determining that any application for approval of a proposition player contract or amendment is complete and that the contract or amendment appears to qualify for approval, but in no event more than 75 days from receipt of the application package, the Division shall submit the contract or amendment to the Executive Director for review and comment. The Executive Director shall provide the Division with comments, if any, within 15 days of receipt of the contract or amendment. This paragraph does not apply to expedited approval under Section 12200.10A.

(b) A copy of the Division's notice of approval or disapproval of a proposition player contract or amendment thereto shall be sent to the Commission.

**Authority:** Sections 19840, 19841, and 19984, Business and Professions Code

**Reference:** Section 19984, Business and Professions Code

**Section 12200.11. Extension of Proposition Player Contracts.**

(a) An application for approval of a contract to continue proposition player services shall include all of the following:

(1) A completed Application for Contract Approval to Provide Proposition Player Services (DGC-APP.030, rev. 08/04), which is hereby incorporated by reference.

(2) A five hundred dollar (\$500) application fee.

(3) An executed copy of the contract.

(4) A completed playing book form for three non-consecutive sessions of play that occurred during the ten (10) days preceding the submission of the application for contract extension.

(5) A deposit in such amount as, in the judgment of the Director of the Division, will be sufficient to pay the anticipated processing costs. The Division may require an additional sum to be deposited to pay the final costs of the review and approval or disapproval of the contract. Any money received as a deposit in excess of the costs incurred in the review and approval or disapproval of the contract will be refunded and an itemized accounting will be provided to the primary owner, or primary owner's designee.

(b) The application shall be submitted to the Division no later than 90 days prior to the date that the current contract is scheduled to expire.

(c) As soon as is practicable after determining that any application for approval of a proposition player contract extension is complete and that the contract extension appears to qualify for approval, but in no event more than 75 days from receipt of the application, the Division shall submit the contract extension to the Commission for review and comment. The Commission shall provide the Division with comments, if any, within 15 days of receipt of the contract extension.

**Authority:** Sections 19840, 19841, and 19984, Business and Professions Code

**Reference:** Sections 19951 and 19984, Business and Professions Code

### **Section 12200.13. Playing Book.**

(a) The primary owner shall be responsible for assuring that its players maintain accurate, complete, and up-to-date playing books for all sessions of play worked in conformity with regulations of the Commission. The information in the playing-book record shall be transferred to the primary owner, or a supervisor designated by the primary owner at the end of each session of play. The primary owner shall maintain this information in English at a single location in the State of California, and shall maintain the original playing book records in the State of California, for at least five (5) years. The location or locations where the records of this information and the original playing book records are maintained, and any change therein, shall be disclosed to the Commission and Division by written notice, mailed or delivered within five (5) business days after establishing or changing such a location.

(b) The playing book shall be prepared and maintained as follows:

- (1) The playing book form shall be reviewed and approved or disapproved during the review of the contract by the Division.
- (2) Each form in the playing book shall be recorded in ink and include, but not be limited to, the following information:
  - (A) Sequential numbers. Any unused form shall be voided and maintained in the playing book.
  - (B) The name of the gambling establishment where play occurred.
  - (C) The date and approximate time when play occurred.
  - (D) Beginning and ending balances.
  - (E) Individual identification of all fills and credits affecting the balance.
  - (F) The printed full name and badge number of the proposition player, which includes owners, supervisors, and/or players.
  - (G) The table number assigned by the gambling establishment.
  - (H) The specific name of the Division-approved gaming activity.
  - (I) The name of the primary owner.
- (3) The form for each session of play shall be time-stamped, dated, and signed under penalty of perjury by the person who prepared it and shall include a declaration in the following form: "I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct."

**Authority:** Sections 19840, 19841, and 19984, Business and Professions Code

**Reference:** Section 19984, Business and Professions Code

### **Section 12200.14. Organization Chart and Employee Report.**

(a) No later than September 1, 2004, each registered or licensed primary owner shall submit a current organization chart and a listing of all employees by name and title to the Division and the Commission. The listing of employees shall be submitted on the form Third Party Proposition Player Services Employee Report (CGCC-440, Rev. 09/04), which is hereby incorporated by reference.

(b) Upon renewal of the registration or license, each registered or licensed primary owner shall submit an updated organization chart and a listing of all employees by name and title to the Division and the Commission.

(c) The primary owner shall notify the Division and the Commission in writing within ten (10) days of any change to its ownership structure.

**Authority:** Sections 19840, 19841, and 19984, Business and Professions Code

**Reference:** Section 19984, Business and Professions Code

**Section 12200.15. Transfers and Sales.**

(a) If any registered or licensed owner wishes to sell in whole or in part any ownership interest to any unregistered or unlicensed person, the owner must first notify the Commission in writing to request approval of the transaction. The transferee must apply for and be approved as a TPP registrant or licensee. Evidence of the transferor's agreement to transfer the interest and, if applicable, the proposed articles of incorporation, shall accompany the application for registration or licensing.

(b) The effective date of the sale shall be at least 90 days after receipt of the application for registration or license, or such other shorter time period as shall be set by the Executive Director with the agreement of the applicant.

(c) Evidence of the final execution of a transfer or sale of an interest to a registered or licensed person shall be submitted in writing to the Commission within ten (10) days of the final transaction.

**Authority:** Sections 19840, 19841, and 19984, Business and Professions Code

**Reference:** Section 19984, Business and Professions Code

**Section 12200.16. Inspections and Investigations.**

(a) When requested by a representative of the Division, a registrant or licensee shall immediately permit the Division representative, in accordance with the request, to inspect, copy, or audit all requested documents, papers, books, and other records of the registrant or licensee related to the provision of proposition player services. If the records are maintained in electronic form and the registrant or licensee is requested to do so, the registrant or licensee shall provide a printed copy in English pursuant to this section within 24 hours of the request.

(b) If requested in writing by the Executive Director, the Division shall conduct an inspection or investigation of a registrant or a licensee. Within 30 days of receipt of the request, the Division shall advise the Executive Director in writing of the status of the inspection or investigation and shall also provide an estimated date on which the inspection or investigation may reasonably be expected to be concluded. Upon completion of the inspection or investigation, the Division shall provide a final written report to the Executive Director.

(c) Nothing in this chapter precludes Commission staff from carrying out their duties under applicable statutes and regulations.

(d) All records required by this chapter shall be maintained in English, in California, for at least five (5) years.

**Authority:** Sections 19840, 19841, and 19984, Business and Professions Code

**Reference:** Section 19984, Business and Professions Code

**Section 12200.17. Emergency Orders.**

Registrants and licensees under this chapter shall be subject to emergency orders under Business and Professions Code section 19931.

**Authority:** Sections 19840, 19841, and 19984, Business and Professions Code

**Reference:** Sections 19984 and 19931, Business and Professions Code

**Section 12200.18. Revocation.**

The Commission may revoke a registration or license, upon any of the following grounds, after a hearing conducted pursuant to the same procedures applicable to the revocation of a gambling establishment license:

- (a) The registrant or licensee committed, attempted to commit, or conspired to commit any acts prohibited by the Gambling Control Act or this chapter.
- (b) Any act or omission by the registrant that would disqualify the registrant from obtaining registration under this chapter. Any act or omission by the licensee that would disqualify the licensee from obtaining licensing under this chapter.
- (c) The registrant or licensee engaged in any dishonest, fraudulent, or unfairly deceptive activities in connection with controlled gambling, including any violation of laws related to cheating.
- (d) The registrant or licensee failed or refused to comply with the requirements of Section 12200.16 (Inspections and Investigations).
- (e) The registrant or licensee failed or refused to comply with the requirements of Section 12200.14 (Organization Chart and Employee Report).
- (f) The registrant or licensee concealed or refused to disclose any material fact in any inquiry by the Division or the Commission.
- (g) The registrant or licensee committed, attempted, or conspired to commit any embezzlement or larceny against a gambling licensee or proposition player registrant or on the premises of a gambling establishment.
- (h) The registrant or licensee has been lawfully excluded from being present upon the premises of any licensed gambling establishment for any reason relating to cheating or any violation of the Gambling Control Act by the registrant or licensee.
- (i) The registrant or licensee buys or sells chips other than to or from the house, except for exchanging with a patron, chips of one denomination for chips of another denomination.
- (j) The registrant or licensee lends money or chips to gambling establishment patrons, except for exchanging with a patron chips of one denomination for chips of another denomination.
- (k) The registrant or licensee made wagers that were not specifically authorized by the game rules approved by the Division.
- (l) Any owner knowingly permitted one or more of the owner's supervisors or players to commit any act described in subsections (a) to (k), inclusive.
- (m) Any owner knew, or failed to implement reasonable oversight procedures that would have apprised the owner, that one or more of the registrants or licensees was in violation of one or more provisions of this chapter or of the Gambling Control Act and failed or refused to take action to prevent the recurrence of the violation or violations.
- (n) The registrant or licensee provided proposition player services to a gambling establishment without a Division-approved contract on and after April 30, 2004.

**Authority:** Sections 19840, 19941, and 19984, Business and Professions Code

**Reference:** Section 19984, Business and Professions Code

**Section 12200.20. Annual Fee.**

- (a) (1) No later than September 1 of each year, beginning September 1, 2004, each registered primary owner shall submit to the Commission the annual fee set forth in subsection (c) of this section, based on the total number of registrations or licenses affiliated with the primary owner on the immediately preceding August 1. The payment

due September 1 of each year shall be based on the total number of registrations affiliated with the primary owner on August 1 that same year.

(2) For each licensed primary owner, the annual fee shall be assessed based upon the total number of licenses affiliated with the primary owner 120 days prior to the renewal due date.

(b) Within 30 days of approval of any request to convert a registration to a license, the Commission shall notify the licensee of any additional fees owed for the term of the license granted, allowing pro rata credit on a monthly basis for any annual fee paid in connection with a registration that has not expired.

(c) The annual fee shall be computed as follows:

(1) Beginning September 1, 2004, each primary owner shall pay the annual sum of two thousand fifty dollars (\$2050) per registrant or licensee. This fee shall be retroactive to September 1, 2004. Any overpayment of fees previously paid that cannot be applied against an installment payment which is due shall be credited against the following year's annual fee obligation, unless the primary owner no later than February 1, 2005 submits a written refund request to the Executive Director.

(2) Beginning September 1, 2005, each primary owner shall pay the annual sum of two thousand three hundred dollars (\$2300) per registrant or licensee, less any applicable credit that may apply from subsection (c)(1) of this section.

(3) Beginning September 1, 2006, and thereafter, each primary owner shall pay the annual sum of two thousand eight hundred (\$2800) per registrant or licensee, less any applicable credit that may apply from subsection (c)(1) of this section.

(d) (1) The annual fee for each registered primary owner may be paid in installments. The primary owner must submit a written request to the Executive Director to make installment payments prior to August 1 of that same year. Upon approval by the Executive Director, installment payments submitted prior to licensure shall be made as follows: one-third of the annual fee to be submitted no later than September 1, one-third no later than December 1, and the balance no later than March 1.

(2) The annual fee for each licensed primary owner may be paid in installments. The primary owner must submit a written request to the Executive Director to make installment payments 120 days prior to the expiration of the license. Upon approval by the Executive Director, installment payments submitted after conversion to licensure shall be made as follows: one-third of the annual fee to be submitted prior to issuance of the license, one-third to be submitted three months thereafter, and one-third to be submitted six (6) months thereafter.

(e) Refunds shall not be available in the event of a subsequent decrease in the number of registrants or licensees upon which the annual fee payment was based.

(f) (1) Following assessment of the annual fee, if the primary owner increases the number of its registrants or licensees above the number upon which the annual fee assessment was based, the primary owner shall submit to the Commission both the required application fee for the additional registrants or licensees, and the additional per player annual fee set forth in subsection (c) of this section. No new badges shall be issued until all fees required by this subsection have been received by the Commission.

(2) Annual fees due under this subsection (f) shall be prorated on a monthly basis.

(3) Annual fees due under this subsection (f) may be paid in installments, on the conditions that the installment payment request is submitted in writing, that one-third of the fees are paid with the application for additional registrants or

licensees, and that two subsequent equal payments are paid at reasonable intervals prior to expiration of the applicable term, subject to the approval of the Executive Director.

(g) No renewal application shall be approved by the Commission until any delinquent annual fees have been paid in full.

(h) No application for a contract extension shall be approved by the Division until any delinquent annual fees have been paid in full.

**Authority:** Sections 19840, 19841, and 19984, Business and Professions Code

**Reference:** Sections 19951 and 19984, Business and Professions Code

### **Section 12200.21. Compliance.**

(a) Registrants and licensees shall comply with game rules approved by the Division, including but not limited to, the rules regarding player-dealer rotation and table wagering. A proposition player contract may, concerning any table assigned for play by the contracted registrant or licensee, contain a provision precluding players of any other registrant or licensee under this Chapter or Chapter 2.2 of this Division from playing at that table during the periods of play assigned by the proposition player contract for the contracted registrant or licensee. The house is not precluded from assigning a seat at the table to a registrant or licensee.

(b) Only an authorized player may possess, direct, or otherwise control currency, chips, or other wagering instruments used for play in the performance of a proposition player contract.

**Authority:** Sections 19840, 19841, and 19984, Business and Professions Code

**Reference:** Section 19984, Business and Professions Code

## **Article 2. Registration**

### **Section 12201. Registration.**

(a) On and after March 31, 2004, in addition to the requirements of Section 12200.9(a)(1), no person may provide proposition player services or obtain a badge, as required by Section 12200.3, without a current valid registration issued by the Commission.

(b) Registration shall be issued for a period of one (1) year to owners and supervisors, and for a period of two (2) years to players and other employees.

(c) Registration under this Article or its predecessor shall not create any vested right to licensing under Article 3 of this Chapter or any successor provision.

(d) If a primary owner is a corporation, partnership, or other business entity, each owner, and individual having a relationship to that entity specified in Business and Professions Code section 19852, subdivisions (a) to (h), inclusive, shall individually apply for and obtain registration as an owner listed on the business entity's registration certificate. No business entity or sole proprietor shall be registered under this chapter that is also licensed under the Gambling Control Act to operate a gambling establishment.

(e) If the application is for registration as a supervisor or player, the primary owner that will employ the applicant shall be currently registered under this chapter.

(f) Registration is non-transferable.

**Authority:** Sections 19840, 19841, and 19984, Business and Professions Code

**Reference:** Sections 19984 and 19951(a), Business and Professions Code

**Section 12202. Application for Registration.**

- (a) The application for registration shall designate whether the registration is requested as a primary owner, owner, supervisor, player, or other employee. The application shall be signed by both the individual applicant and the designated agent, or, if the applicant is a business entity, by the chief executive officer or other designated officer of the business entity.
- (b) An application for registration shall include all of the following:
  - (1) Payment of a nonrefundable application fee in the amount of five hundred dollars (\$500).
  - (2) A completed Application for Third Party Proposition Player Services Registration (CGCC-435, rev. 9/04), which is hereby incorporated by reference.
  - (3) A properly completed Request for Live Scan Service (California Department of Justice Form BCII 8016, rev. 4/01) for an applicant that is an individual, confirming that the applicant's fingerprints have been submitted to the BCII for an automated background check and response.
  - (4) Two 2x2 inch color passport-style photographs of an applicant that is an individual taken no more than one (1) year before submission of the application to the Commission.
- (c) An applicant that is an individual shall complete and submit the form Third Party Proposition Player Services Registration Supplemental Information (CGCC-436, Rev. 06/04), which is hereby incorporated by reference.
- (d) An applicant for registration or for any approval required by this chapter shall make full and true disclosure of all information to the Commission and Division as required for the application and as requested by the Commission or Division to carry out the policies of this state relating to controlled gambling.

**Authority:** Sections 19840, 19841, and 19984, Business and Professions Code

**Reference:** Sections 19984 and 19951(a), Business and Professions Code

**Section 12203. Processing of Applications for Initial Registration.**

- (a) The Executive Director shall notify the applicant in writing within 20 days of receiving the application, that the application or resubmitted application is complete and accepted for filing, or that the application or resubmitted application is deficient. If an application for registration is incomplete, the Executive Director shall request in writing any information needed in order to complete the application. The applicant shall be permitted 30 days in which to furnish the information. If the applicant fails to respond to the request, the application shall be deemed abandoned and no further action will be taken on it.
- (b) Upon determination that an application for registration is complete, the application shall be processed within 60 days and the Executive Director shall either issue the registration and badge applied for or shall notify the applicant of denial and the grounds therefor under Section 12204.
- (c) If the applicant submits a request for withdrawal of his or her application to the Commission, the application shall be deemed abandoned and no further action will be taken on it.
- (d) The Commission shall provide written notice of abandonment of an application to the applicant. If the application is for registration as a supervisor, player, or other employee, the Commission shall also provide written notice of abandonment of the application to the primary owner.

(e) Nothing in this chapter shall require the Commission or Division to divulge to the applicant any confidential information received from any law enforcement agency or any information received from any person with assurances that the information would be maintained as confidential. Nothing in this chapter shall require the Commission or Division to divulge any information that might reveal the identity of any source of information or jeopardize the safety of any person.

**Authority:** Sections 19840, 19841, and 19984, Business and Professions Code

**Reference:** Section 19984, Business and Professions Code.

**Section 12203A. Processing of Applications for Renewal of Registration.**

(a) Renewal applications for owners shall be received no later than 120 days prior to the expiration of the current registration, together with the five hundred dollar (\$500) application fee. If an application is received after this 120-day deadline, an expedited processing fee of sixty dollars (\$60) shall be submitted with the application. If an expedited processing fee is due but has not been received, a registration renewal shall not be issued.

(b) Renewal applications for supervisors, players, and other employees shall be received no later than 90 days prior to the expiration of the current registration, together with the required five hundred dollars (\$500) application fee. If an application is received after this 90-day deadline, an expedited processing fee of sixty dollars (\$60) shall be submitted with the application. If an expedited processing fee is due but has not been received, a registration renewal shall not be issued.

(c) The Executive Director shall notify the applicant in writing within 20 days of receiving the renewal application, that the application or resubmitted application is complete and accepted for filing, or that the application or resubmitted application is deficient. If an application for registration is incomplete, the Executive Director shall request in writing any information needed in order to complete the application. The applicant shall be permitted 30 days in which to furnish the information. If the applicant fails to respond to the request, the application shall be deemed abandoned and no further action will be taken on it.

(d) Upon determination that an application for renewal of registration is complete, the application shall be processed within 60 days and the Executive Director shall either issue the registration and badge applied for or shall notify the applicant of denial and the grounds therefor under Section 12204.

(e) The Commission shall provide written notice of abandonment of an application to the applicant. If the application is for registration as a supervisor, player, or other employee, the Commission shall also provide written notice of abandonment of the application to the primary owner.

(f) If the applicant submits a request for withdrawal of his or her application to the Commission, the application shall be deemed abandoned and no further action will be taken on it.

(g) Nothing in this chapter shall require the Commission or Division to divulge to the applicant any confidential information received from any law enforcement agency or any information received from any person with assurances that the information would be maintained as confidential. Nothing in this chapter shall require the Commission or Division to divulge any information that might reveal the identity of any source of information or jeopardize the safety of any person.

**Authority:** Sections 19840, 19841, and 19984, Business and Professions Code

**Reference:** Sections 19951 and 19984, Business and Professions Code.

**Section 12203.1. Temporary Player Registration.**

(a) While an application for regular player registration is being processed, and subject to section 12203.2, the Executive Director may issue a temporary registration pursuant to this section, which shall be valid for no more than 60 days.

(b) Upon issuance of a regular registration, the temporary registration previously issued to the registrant shall become void and shall not be used thereafter.

(c) In the event that the regular registration is issued prior to Commission action on the application for the temporary registration, the application for the temporary registration shall be deemed withdrawn and no further action will be taken on it.

(d) If an application for a regular registration is withdrawn, the application for a temporary registration shall be deemed abandoned and no further action will be taken on it by the Commission.

(e) If Family Code section 17520 (child and family support) is applicable to an application, then a temporary registration shall be issued for 150 days as provided in the Family Code.

**Authority:** Sections 19840, 19841, and 19984, Business and Professions Code

**Reference:** Section 19984, Business and Professions Code

**Section 12203.2. Temporary Player Registration: Application; Criteria.**

The Executive Director shall, within 15 days of receiving a complete application, issue a temporary player registration valid for 60 days (or 150 days if Family Code section 17520 applies) if all of the following requirements are met:

(a) The applicant has applied for a temporary player registration by completing the Commission's regular registration application form, requesting issuance of a temporary registration by checking the appropriate box on the application form, and submitting with the application a nonrefundable twenty-five dollar (\$25) temporary registration fee, in addition to the regular registration fee of five hundred dollars (\$500).

(b) The applicant has supplied to the Commission all the documentation and fees required for a regular registration.

(c) Neither the application in its entirety nor the results of the review of the applicant's criminal history up until the date of issuance of the temporary registration discloses any of the following:

(1) The applicant has been convicted of any felony.

(2) The applicant has, within the ten (10) year period immediately preceding the submission of the application, been convicted of any of the following offenses, not including convictions which have been expunged or dismissed as provided by law:

(A) A misdemeanor involving a firearm or other deadly weapon.

(B) A misdemeanor involving gaming or gaming related activities prohibited by Chapter 9 (commencing with section 319) and Chapter 10 (commencing with section 330) of Title 9 of Part 1 of the Penal Code.

(C) A misdemeanor involving a violation of an ordinance of any city, county, or city and county, which pertains to gambling or gambling-related activities.

(D) A misdemeanor involving violations of the Gambling Control Act.

- (E) A misdemeanor involving dishonesty or moral turpitude.
  - (3) The applicant has had an application for a gambling license, work permit, proposition player registration, proposition player license, gambling business registration, or gambling business license denied.
  - (4) The applicant has had a gambling license, work permit, proposition player registration, proposition player license, gambling business registration, or gambling business license revoked.
  - (5) The applicant is disqualified under the Gambling Control Act or other provisions of law from holding a temporary registration.
- (d) The review of the applicant's criminal history has resulted in one of the following:
- (1) A response has been received from the BCII or Federal authorities that is consistent with a finding that the applicant has not sustained any disqualifying criminal convictions, or,
  - (2) No response from the BCII or Federal authorities has been received within the time period set forth in subsection (a)(2) of section 12203.3.
- (e) The application and other information obtained during the review does not disclose any factor indicating that approval of the temporary registration may in the judgment of the Executive Director present a danger to the public or to the reputation of controlled gambling or proposition playing in this state.
- (f) The applicant is not ineligible under Business and Professions Code section 19859, subdivisions (b), (e), (f), or (g), the terms of which are incorporated by reference and hereby expressly made applicable to applications for temporary player registrations.

**Authority:** Sections 19840, 19841, and 19984, Business and Professions Code.

**Reference:** Sections 19951 and 19984, Business and Professions Code.

### **Section 12203.3. Processing Times for Temporary Player Registration.**

- (a) Applications for issuance of a temporary player registration by the Executive Director shall be processed within the following time frames:
- (1) The maximum time within which the Commission shall notify the applicant in writing that an application or a resubmitted application is complete and accepted for filing, or that an application or a resubmitted application is deficient and identifying what specific additional information is required, is five (5) working days.
  - (2) A temporary registration shall be either granted or denied within no more than 15 working days after the filing of a completed application, unless a regular registration has already been approved.

**Authority:** Sections 19840, 19841, and 19984, Business and Professions Code.

**Reference:** Section 19984, Business and Professions Code.

### **Section 12203.5. Cancellation of Temporary Registration.**

- (a) Any temporary registration issued in accordance with this article shall be subject to summary cancellation pursuant to subsections (b) and (c) of this section.
- (b) A temporary registration shall be cancelled by the Executive Director at any time if any of the following applies:
- (1) The Commission determines that it has received reliable information that the holder of the temporary registration is ineligible under subsection (c) of section 12203.2, has failed to reveal any fact material to the holder's

qualification for temporary registration, or has supplied information to the Commission that is untrue or misleading as to a material fact pertaining to the criteria for issuance of temporary registrations.

(2) The applicant's regular registration application is referred by a vote of the Commission for an evidentiary hearing pursuant Business and Professions Code section 19825, and the Commission directs the Executive Director to cancel the temporary registration.

(3) The Executive Director receives from the applicant a request to withdraw his or her application for regular registration.

(c) If any of the circumstances set forth in subsection (b) applies, then the Executive Director shall immediately do all of the following:

(1) Notify the temporary registration holder, the primary owner, the contracted gambling establishment, and the Division in writing of the cancellation of the temporary registration and the grounds for cancellation.

(2) Notify the temporary registrant that he or she is required to surrender the temporary registration badge to the Commission not more than ten (10) days following the date that the notice of cancellation was mailed or such greater time as is authorized by the Executive Director.

**Authority:** Sections 19840, 19841, and 19984, Business and Professions Code

**Reference:** Section 19984, Business and Professions Code

#### **Section 12204. Ineligibility for Registration.**

An applicant shall be ineligible for registration for any of the following causes:

(a) An individual applicant is under the age of 21.

(b) The applicant has been convicted of any felony, including a conviction in a court of the United States or any other state of an offense that is classified as a felony by the laws of this state.

(c) The applicant has, within the ten (10) year period immediately preceding the submission of the application, been convicted of a misdemeanor involving a firearm or other deadly weapon, gaming or gaming-related activities prohibited by Chapter 9 (commencing with Section 319) or Chapter 10 (commencing with section 330) of Title 9 of Part 1 of the Penal Code, violations of the Gambling Control Act, or dishonesty or moral turpitude, not including convictions which have been expunged or dismissed as provided by law.

(d) If the application is for registration as an owner, supervisor, or player, the applicant has been subject to a final administrative or judicial adjudication revoking a registration under this chapter or a state gambling license, key employee license, work permit or finding of suitability or has had an application denied under this chapter or the Gambling Control Act.

(e) The applicant would be ineligible for a state gambling license under any of the criteria set forth in Business and Professions Code section 19859, subdivisions (b), (e), or (f).

(f) The applicant would be ineligible for a state gambling license under Business and Professions Code section 19858.

(g) The applicant has violated one or more of the prohibitions set forth in Subsections 12200.7(b)(5), (11), or (20) or Subsections 12200.7(c)(1) and (3).

- (h) The applicant has failed to comply with one or more of the requirements set forth in Subsections 12200.7(b)(8), (9), (15), (16), (17), (18), (21), or in Subsections 12200.7(c)(2) or (e).
- (i) The applicant is ineligible based on any other provision of law.

**Authority:** Sections 19840, 19841, and 19984, Business and Professions Code

**Reference:** Section 19984, Business and Professions Code

### **Section 12205. Cancellation of Regular Registration.**

(a) Any regular registration issued in accordance with this chapter shall be subject to cancellation pursuant to this section. A registration shall be cancelled if the Commission determines after a noticed hearing that the registrant is ineligible for registration, has failed in the application for registration to reveal any fact material to the holder's qualification for registration, or has supplied information in the registration application that is untrue or misleading as to a material fact pertaining to the criteria for issuance of registration.

(b) If the Commission finds that any of the circumstances set forth in subsection (a) apply, then the Executive Director shall immediately do all of the following:

(1) Provide written notice to the registrant and the Division of the cancellation of the registration and the grounds thereof, and provide written notice of the cancellation to the owner, if the registrant is a supervisor, player, or other employee and to any gambling establishment in which the registrant provides proposition player services.

(2) Notify the registrant, if an individual, that he or she is required to surrender the registrant's badge to the Commission not more than ten days following the date that the notice of the cancellation was mailed or such greater time as is authorized by the Executive Director.

**Authority:** Sections 19840, 19841, and 19984, Business and Professions Code.

**Reference:** Section 19984, Business and Professions Code

### **Section 12205.1. Transition to Licensing.**

(a) As expeditiously as possible in light of available program resources, the Division shall summon persons registered as primary owners, owners, supervisors, players, and other employees for the purpose of applying for licenses under this chapter. The registration of any registrant that fails or refuses to submit a Request for Conversion of a Third Party Proposition Player Services Registration to a License (CGCC-437, Rev. 09/04)(see section 12218(c)) including any fees to the Commission within 30 days of receiving a summons from the Division shall expire by operation of law on the following day. Prior to and during review of a request to convert a registration to a license, a registration shall remain valid and may be renewed by the registrant as necessary, upon application and approval of renewal of registration as provided in Section 12203A.

(b) Any person who became affiliated with a primary owner following receipt of a summons from the Division shall apply for registration pursuant to this chapter and shall be called forward by the Division expeditiously.

(c) If the registration expires by operation of law, the former registrant shall submit a new Request for Conversion of a Third Party Proposition Player Services Registration to a License (CGCC-437, Rev. 09/04) and a new five hundred dollar (\$500) nonrefundable application fee.

(d) The transition to licensing for registrations approved prior to April 30, 2004, shall be completed no later than July 1, 2008.

(e) Except as provided in subsection (c), a request to convert a registration to a license shall require only payment of a sum of money that, in the judgment of the Director of the Division, will be adequate to pay the anticipated investigation and processing costs, in accordance with Business and Professions Code sections 19867 and 19984(c).

(f) If a license is issued, it will expire as provided in Section 12218.13 (Term of License).

**Authority:** Sections 19840, 19841, and 19984, Business and Professions Code

**Reference:** Section 19984, Business and Professions Code

### ***Article 3. Licensing***

#### **Section 12218. Request to Convert Registration to License.**

(a) A request to convert a registration to a license shall be submitted to the Commission only in response to a written summons from the Division to a primary owner pursuant to Section 12205.1. Each primary owner's request shall be accompanied by the requests of all affiliated owners, supervisors, players, and other employees.

(b) The request to convert a registration to a license shall designate whether the license is requested as a primary owner, owner, supervisor, player, or other employee. The request shall be signed by the individual requester or, if the requester is a business entity, by the chief executive officer or other designated officer of the business entity.

(c) The request to convert a registration to a license shall include all of the following:

(1) A completed Request for Conversion of a Third Party Proposition Player Services Registration to a License (CGCC-437, Rev. 09/04), which is hereby incorporated by reference.

(2) Two 2x2 inch color passport-style photographs of a requester that is an individual taken no more than one year before submission of the request to the Commission.

(3) The supplemental information package as defined in section 12200(b).

(4) A sum of money that, in the judgment of the Director of the Division, will be adequate to pay the anticipated investigation and processing costs, in accordance with Business and Professions Code sections 19867 and 19984.

(5) A copy of the summons issued by the Division.

(d) Nothing in this chapter shall require the Commission or Division to divulge to the requester any confidential information received from any law enforcement agency or any information received from any person with assurances that the information would be maintained as confidential. Nothing in this chapter shall require the Commission or Division to divulge any information that might reveal the identity of any source of information or jeopardize the safety of any person.

**Authority:** Sections 19840, 19841, and 19984, Business and Professions Code

**Reference:** Section 19984, Business and Professions Code

#### **Section 12218.1. Subsequent Registrants.**

After a primary owner is licensed, the summons previously issued to that primary owner by the Division shall be deemed to apply to all subsequent registrants who become affiliated with that primary owner subsequent to licensure.

**Authority:** Sections 19840, 19841, and 19984, Business and Professions Code

**Reference:** Section 19984, Business and Professions Code

**Section 12218.5. Withdrawal of Request to Convert Registration to License.**

(a) A request for withdrawal of a request to convert a registration to a license may be made at any time prior to final action upon the request by the Director by the filing of a written request to withdraw with the Commission. For the purposes of this section, final action by the Division means a final determination by the Director regarding his or her recommendation on the request to the Commission.

(b) The Commission shall not grant the request unless the requester has established that withdrawal of the request would be consistent with the public interest and the policies of the Gambling Control Act and this chapter. If a request for withdrawal is denied, the Division may go forward with its investigation and make a recommendation to the commission upon the request, and the Commission may act upon the request to convert as if no request for withdrawal had been made.

(c) If a request for withdrawal is granted with prejudice, the requester thereafter shall be ineligible to renew its request until the expiration of one year from the date of the withdrawal. Unless the Commission otherwise directs, no payment relating to any request is refundable by reason of withdrawal of request.

**Authority:** Sections 19840, 19841, and 19984, Business and Professions Code

**Reference:** Sections 19869 and 19984, Business and Professions Code

**Section 12218.7. Processing Times--Request to Convert Registration to License.**

(a) Except as provided in subsection (b), a request to convert a registration to license submitted pursuant to this chapter shall be processed within the following timeframes:

(1) The maximum time within which the Commission shall notify the applicant in writing that a request or a resubmitted request is complete and accepted for initial processing by the Commission, or that a request or a resubmitted request is deficient and identifying what specific additional information is required, is 20 days after receipt of the request. For the purposes of this section, "request" means the Request for Conversion of a Third Party Proposition Player Services Registration to a License (CGCC-437, Rev. 09/04), which was incorporated by reference in Section 12218. A request is not complete unless accompanied by both a copy of the summons from the Division setting a deadline for filing the request with the Commission and the supplemental information package required by section 12218(c)(3) for review by the Division pursuant to paragraph (3) of this subsection (a) for persons affiliated with the primary owner to whom the summons was addressed. The supplemental information shall not be reviewed for completeness by the Commission.

(2) A request and the supplemental information package shall be forwarded by the Commission to the Division for processing within ten (10) days of the date that the Commission determines that the request is complete.

(3) The Division shall review the supplemental information package submitted for completeness and notify the applicant of any deficiencies in the supplemental information package, or that the supplemental information package is complete, within 45 days of the date that the request and supplemental information package are received by the Division from the Commission. Notwithstanding this subsection, subsequent to acceptance of the

supplemental information package as complete, the Division may, pursuant to Business and Professions Code section 19866, require the requester to submit additional information.

(4) Pursuant to Business and Professions Code section 19868, the Division shall, to the extent practicable, submit its recommendation to the Commission within 180 days after the date the Division is in receipt of both the completed request pursuant to paragraph (2) of this subsection (a) and the completed supplemental information package pursuant to paragraph (3) of this subsection (a). If the Division has not concluded its investigation within 180 days, then it shall inform the applicant and the Commission in writing of the status of the investigation and shall also provide the applicant and the Commission with an estimated date on which the investigation may reasonably be expected to be concluded.

(5) The Commission shall grant or deny the request within 120 days after receipt of the final written recommendation of the Division concerning the request, except that the Commission may notify the applicant in writing that additional time, not to exceed 30 days, is needed.

**Authority:** Sections 19840, 19841, and 19984, Business and Professions Code

**Reference:** Section 19984, Business and Professions Code

#### **Section 12218.11. Ineligibility for Licensing.**

A requester shall be ineligible for licensing for any of the following causes:

- (a) An individual applicant is under the age of 21.
- (b) The requester has been convicted of any felony, including a conviction in a court of the United States or any other state of an offense that is classified as a felony by the laws of this state.
- (c) The requester has, within the ten (10) year period immediately preceding the submission of the request to convert, been convicted of a misdemeanor involving a firearm or other deadly weapon, gaming or gaming-related activities prohibited by Chapter 9 (commencing with Section 319) or Chapter 10 (commencing with section 330) of Title 9 of Part 1 of the Penal Code, violations of the Gambling Control Act, or dishonesty or moral turpitude, unless the applicant has been granted relief pursuant to Penal Code section 1203.4, 1203.4a, or 1203.45, provided, however, that the granting of relief pursuant to Penal Code section 1203.4, 1203.4a, or 1203.45 shall not constitute a limitation on the discretion of the Commission.
- (d) If the request to convert is for licensing as an owner, supervisor, or player, the requester has been subject to a final administrative or judicial adjudication revoking a registration or license under this chapter or a state gambling license, key employee license, work permit or finding of suitability or has had an application denied under this chapter or the Gambling Control Act.
- (e) The requester has failed to meet the requirements of Business and Professions Code sections 19856 or 19857.
- (f) The requester would be ineligible for a state gambling license under any of the criteria set forth in Business and Professions Code section 19859, subdivisions (b), (e), or (f).
- (g) The requester would be ineligible for a state gambling license under Business and Professions Code section 19858.

- (h) The requester has violated one or more of the prohibitions set forth in Subsections 12200.7(b)(5), (11) and (20) or Subsections 12200.7(c)(1) and (3).
- (i) The requester has failed to comply with one or more of the requirements set forth in Subsections 12200.7(b)(8), (9), (15), (16), (17), (18) or (21) or in Subsections 12200.7(c)(2) and (e).
- (j) The applicant is ineligible based on any other provision of law.

**Authority:** Sections 19840, 19841, and 19984, Business and Professions Code

**Reference:** Section 19984, Business and Professions

**Section 12218.13. Term of License.**

- (a) All initial licenses shall be issued for a period of two (2) years.
- (b) Due to nonrecurring workload problems associated with the processing of the first round of requests to convert registrations to licenses, all other initial licenses that are granted within three (3) years of the effective date of these regulations shall be issued for a period of two (2) years.
- (c) Beginning July 1, 2007, all initial and renewal licenses shall be issued for a period of one (1) year, except for player and other employee licenses, which shall be issued for a period of two (2) years.

**Authority:** Sections 19840, 19841, and 19984, Business and Professions Code

**Reference:** Section and 19984, Business and Professions Code

**Chapter 2.2. Gambling Businesses: Registration; Licensing.**

**Article 1. Definitions and General Provisions**

**Section 12220. Definitions.**

- (a) Except as otherwise provided in section 12002 and in subsection (b) of this regulation, the definitions in Business and Professions Code section 19805 shall govern the construction of this chapter.
- (b) As used in this chapter:
  - (1) "Additional Badge" means a badge issued by the Commission pursuant to Section 12220.6 which authorizes an individual registrant or licensee to be simultaneously employed by more than one primary owner.
  - (2) "Applicant" means an applicant for registration or licensing under this chapter, including in the case of an owner that is a corporation, partnership, or any other business entity, all persons whose registrations or licenses are required to be endorsed upon the primary owner's registration or license certificate.
  - (3) "Authorized player" means an individual associated with a particular primary owner whose badge authorizes play in a controlled game on behalf of the primary owner, including the primary owner, all other owners, all supervisors, and all players. Only authorized players may perform the functions of a supervisor or player.
  - (4) "Badge" means a form of identification issued by the Commission identifying a registrant or licensee.
  - (5) [RESERVED]
  - (6) [RESERVED]
  - (7) [RESERVED]

(8) "Division" means the Division of Gambling Control in the California Department of Justice. Information that this chapter requires to be sent to the Division shall be submitted in writing to the Sacramento office of the Division.

(9) [RESERVED]

(10) "Funding source" means any person that provides financing, including but not limited to loans, advances, any other form of credit, chips, or any other representation or thing of value, to an owner- registrant or owner-licensee, other than individual registrants under Subsection (d) of Section 12221 or individual licensees. "Funding source" does not include any federally or state chartered lending institution or any of the following entities that in the aggregate owns at least one hundred million dollars (\$100,000,000) of securities of issuers that are not affiliated with the entity:

(A) Any federally-regulated or state-regulated bank or savings association or other federally- or state-regulated lending institution.

(B) Any company that is organized as an insurance company, the primary and predominant business activity of which is the writing of insurance or the reinsuring of risks underwritten by insurance companies, and that is subject to supervision by the Insurance Commissioner of California, or a similar official or agency of another state.

(C) Any investment company registered under the federal Investment Company Act of 1940 (15 U.S.C. sec. 80a-1 et seq.).

(D) Any retirement plan established and maintained by the United States, an agency or instrumentality thereof, or by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees.

(E) Any employee benefit plan within the meaning of Title I of the federal Employee Retirement Income Security Act of 1974 (29 U.S.C. sec. 1001 et seq.).

(F) Any securities dealer registered pursuant to the federal Securities Exchange Act of 1934 (15 U.S.C. sec. 78a et seq.).

(G) Any entity, all of the equity owners of which individually meet the criteria of this paragraph (10).

(11) "Gambling business," except as otherwise provided in this paragraph, means a business enterprise that engages the services of employees, independent contractors, or both to participate in the play of any controlled game in a gambling establishment that has a rotating player-dealer position as permitted by Penal Code section 330.11. "Gambling business" also refers to the conduct of such a business enterprise in a gambling establishment. "Gambling business" does not, however, include the provision of proposition player services subject to Chapter 2.1 (commencing with Section 12200) of this title.

(12) [RESERVED]

(13) "License" means a license issued by the Commission pursuant to article 3 of this chapter.

(A) There are four license categories entitling the holder to operate a gambling business:

1. Primary owner,
2. Owner,
3. Supervisor, and
4. Player.

- (B) All “other employees” (as defined in this section) of the primary owner who are present in the gambling establishment during the conduct of the gambling business shall be licensed as “other employee” and shall be required to submit an application and be approved or denied based upon the same criteria that apply to a player.
- (C) A primary owner and an owner may also perform the functions of a supervisor or player, and the holder of a supervisor’s license may also perform the functions of a player.
- (D) No licensee, other than an owner, supervisor, or player, may possess, direct, or otherwise control currency, chips, or other wagering instruments used for play of a controlled game.
- (14) “Licensee” means a person having a valid license.
- (15) "Organization chart" means a chart that identifies the names and titles of all owners, as defined in section 12220, supervisors, and any persons having significant influence over the operation of gambling business; the percentage of ownership, if any, held by each identified individual or entity; the reporting relationship for each identified individual or entity; and the job title and number of persons in each of the job titles that report to each individual or entity identified on the organization chart.
- (16) “Other employee” means an individual employed by a primary owner who is not authorized to serve as a player. “Other employee” does not include any owner, any supervisor, or any officer or director of a primary owner that is a corporation. An individual registered or licensed as an “other employee” may not function as a player unless and until that individual applies for and obtains registration or licensure as a player.
- (17) “Owner” includes all of the following:
- (A) A sole proprietor, corporation, partnership, or other business entity that provides or proposes to conduct a gambling business,
  - (B) Any individual specified in Business and Professions Code section 19852, subdivisions (a) through (h), and
  - (C) Any funding source.
- (18) “Player” means an individual employed by or an independent contractor engaged by a gambling business to participate in the play of any controlled game in a gambling establishment.
- (19) “Playing Book” means a record documenting each session of play by an individual player.
- (20) “Primary Owner” means the owner specified in subparagraph (A) of paragraph (17) of this subsection.
- (21) “Rebate” means a partial return by an authorized player of chips or money to a patron who has lost the chips or money to the authorized player through play in a controlled game at a gambling establishment.
- (22) “Registrant” means a person having a valid registration.
- (23) “Registration” means a registration issued by the Commission pursuant to this chapter.
- (A) There are four registration categories entitling the holder to participate in the operation of a gambling business: primary owner, owner, supervisor, and player.
  - (B) All other employees of the primary owner who are present in the gambling establishment during the operation of the gambling business shall

be registered as “other employee,” and shall be required to submit an application, which application shall be approved or denied based upon the same criteria that apply to a player.

(C) A primary owner and an owner may also perform the functions of a supervisor or player, and the holder of a supervisor’s registration may also perform the functions of a player. No registrant, other than an owner, supervisor, or player, may possess, direct, or otherwise control currency, chips, or other wagering instruments used for play as part of the operation of a gambling business.

(24) “Reinstatement Badge” means a badge issued by the Commission to a player, a supervisor, or an “other employee” pursuant to Section 12220.6 which authorizes an individual registrant or licensee who has ceased to be employed by a primary owner to return to work for that primary owner.

(25) “Session of play” as used in Section 12220.13 (“Playing Book”) means a continuous work shift performed by a player.

(26) “Supervisor” means an individual who, in addition to any supervisory responsibilities, has authority, on behalf of the primary owner, to provide or direct the distribution of currency, chips, or other wagering instruments to affiliated registrants or licensees who are authorized to play.

(27) “Supplemental information package” means all of the documentation and deposits required by each of the following forms (which are hereby incorporated by reference) to be submitted to the Commission in response to a summons issued by the Division pursuant to Section 12225.1.

(A) Owners, as defined in Section 12220, that are a natural person shall complete the form Level III Supplemental Information-Individual (DGC-APP. 034A, New 08/04) for a level III investigation.

(B) Owners, as defined in Section 12220, that are not a natural person shall complete the form Level III Supplemental Information-Business (DGC-APP. 034B, New 08/04) for a level III investigation.

(C) Supervisors, as defined in Section 12220 shall complete the form Level II Supplemental Information (DGC-APP. 033, New 08/04) for a level II investigation.

(D) Other employees, independent contractors, and players shall complete the form Level I Supplemental Information (DGC-APP. 032, New 08/04) for a level I investigation.

(28) “Transfer Badge” means a badge issued by the Commission pursuant Section 12220.6 which authorizes an individual registrant or licensee to work as an employee or independent contractor for a subsequent primary owner after having ceased to work for an initial primary owner.

**Authority:** Sections 19840, 19841, and 19853(a)(3), Business and Professions Code

**Reference:** Sections 19805 and 19853(a)(3), Business and Professions Code

### **Section 12220.1. Certificate.**

(a) The Commission shall issue a registration or license certificate with an expiration date, as applicable, to each primary owner.

(b) The Commission shall endorse upon each certificate the names of all other owners affiliated with the primary owner.

**Authority:** Sections 19840, 19841, and 19853(a)(3), Business and Professions Code

**Reference:** Sections 19805 and 19853(a)(3), Business and Professions Code

**Section 12220.3. Badge.**

(a) All individuals registered or licensed as primary owners, owners, supervisors, players, or other employees of the primary owner shall wear in a prominently visible location a numbered badge issued by the Commission when present in a gambling establishment during the operation of the gambling business.

(b) A badge authorizing play in a controlled game shall be of a distinctly different color than a badge, which identifies a registrant or licensee, but does not authorize play. If an individual ceases to be employed by or affiliated with a particular primary owner, that individual shall surrender his or her badge to the primary owner. The primary owner shall notify the Commission and the Division in writing within ten (10) days of the change in status using Change in Status Form for a Gambling Business Registration (CGCC-541, Rev. 09/04), which is hereby incorporated by reference; with this form, the primary owner shall submit the registrant's or licensee's badge.

(c) The words "GAMBLING BUSINESS PLAYER REGISTRANT," "NON-PLAYER GAMBLING BUSINESS REGISTRANT," "GAMBLING BUSINESS PLAYER LICENSEE," or "NON-PLAYER GAMBLING BUSINESS LICENSEE" in capital letters shall be prominently displayed on the front of the badge. The first name of the registrant or licensee shall appear on the front of the badge. The full name of the registrant or licensee shall be printed on the reverse side of the badge, together with the registrant's or licensee's category of registration or licensing as an owner, supervisor, player, or other employee.

(d) On the front of the badge, there shall be displayed the picture of the registrant or licensee submitted with the application, the badge number, and expiration date. On the front of the badge, there shall be displayed the name of the primary owner employing the registrant or licensee, which shall be the fictitious business name, if any, established pursuant to Chapter 5 (commencing with Section 17900) of Part 3 of Division 7 of the Business and Professions Code.

(e) Upon renewal of each registration and upon issuance of each registration or license, authorized players shall be issued a badge of one color; individuals not authorized to play shall be issued a badge of a distinctly different color. Any non-player badge issued prior to July 1, 2004, shall be re-issued upon renewal pursuant to subsection (b), so that each registrant receives either a player or non-player badge.

(f) An individual registered or licensed as a player with a particular primary owner shall apply for and obtain a new badge pursuant to Section 12220.6 before beginning to work for an additional or different primary owner.

(g) Registrations, licenses, and badges are specific to the primary owner. A gambling business cannot be operated without first applying for and obtaining a registration, license, or badge.

**Authority:** Sections 19840, 19841, and 19853(a)(3), Business and Professions Code

**Reference:** Sections 19805 and 19853(a)(3), Business and Professions Code

**Section 12220.5. Replacement of Badge.**

(a) Upon submission of a request, the Executive Director shall issue a replacement badge if all of the following conditions are met:

- (1) The requester has a current valid registration or license.

(2) The request is complete and has been submitted on the form Request for Replacement Gambling Business Badge (CGCC-538, New 06/04), which is hereby incorporated by reference.

(3) The requester has supplied all of the following to the Commission:

(A) A nonrefundable twenty-five dollar (\$25) fee payable to the Commission.

(B) The category of the position and information concerning the primary owner for which the replacement badge is requested: the name of the primary owner, mailing address, voice telephone number, facsimile number (if any), and email address (if any).

(C) A statement under penalty of perjury that a replacement badge is needed due to a name change or to loss or destruction of the originally issued badge.

(b) A replacement badge issued pursuant to this section shall be valid during the unexpired term of the previously issued registration or license.

(c) Upon issuance of the replacement badge, the previously issued badge for that gambling business shall become void and shall not be used.

(d) Replacement badges shall be issued by the Commission within seven (7) days of receipt of a completed request.

**Authority:** Sections 19811, 19840, 19841, and 19853(a)(3), Business and Professions Code

**Reference:** Section and 19853(a)(3), Business and Professions Code

**Section 12220.6. Transfer or Reinstatement of Player Registration or License; Issuance of Additional Badge.**

(a) Upon submission of a request, the Executive Director shall issue a player transfer badge, reinstatement badge, or additional badge if all of the following conditions are met:

(1) The requester has a currently valid registration or license.

(2) The request is complete and has been submitted on the form Request for an Additional/Transfer/Reinstatement of Gambling Business Registration/License (CGCC-539, Rev. 09/04), which is hereby incorporated by reference.

(3) The requester has supplied all of the following to the Commission:

(A) A nonrefundable one hundred and twenty-five dollar (\$125) fee payable to the Commission.

(B) The names as applicable of the current and future primary owner, or previous owner or additional owner, mailing address, voice telephone number, facsimile number (if any), and email address (if any).

(b) A badge issued pursuant to this section shall be valid during the unexpired term of the previously issued registration or license.

(c) Upon issuance of the transfer badge, the previously issued badge shall become void and shall not be used.

(d) Transfer, additional, and reinstatement badges shall be issued by the Commission within seven (7) days of receipt of a complete request.

**Authority:** Sections 19811, 19840, 19841, and 19853(a)(3), Business and Professions Code

**Reference:** Sections 19805 and 19853(a)(3), Business and Professions Code

### **Section 12220.13. Playing Book.**

(a) The primary owner shall be responsible for assuring that its players maintain accurate, complete, and up-to-date playing books for all sessions of play worked in conformity with regulations of the Commission. The information in the playing-book record shall be transferred to the primary owner, or a supervisor designated by the primary owner at the end of each session of play. The primary owner shall maintain this information in English at a single location in the State of California, and shall maintain the original playing book records in the State of California for at least five (5) years. The location or locations where the records of this information and the original playing book records are maintained, and any change therein, shall be disclosed to the Commission and Division by written notice, mailed or delivered within five (5) business days after establishing or changing such a location.

(b) The playing book shall be prepared and maintained as follows:

(1) The playing book form shall be reviewed and approved or disapproved by the Division during the review of the primary owner's registration or license application.

(2) Each form in the playing book shall be recorded in ink and include, but not be limited to, the following information:

(A) Sequential numbers. Any unused form shall be voided and maintained in the playing book.

(B) The name of the gambling establishment where play occurred.

(C) The date and approximate time when play occurred.

(D) Beginning and ending balances.

(E) Individual identification of all fills and credits affecting the balance.

(F) The printed full name and badge number of the player, which includes owners, supervisors, and/or players.

(G) The table number assigned by the gambling establishment.

(H) The specific name of the Division-approved gaming activity.

(I) The name of the primary owner.

(3) The form for each session of play shall be time-stamped, dated, and signed under penalty of perjury by the person who prepared it and shall include a declaration in the following form: "I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct."

**Authority:** Sections 19840, 19841, and 19853(a)(3), Business and Professions Code

**Reference:** Sections 19805 and 19853(a)(3), Business and Professions Code

### **Section 12220.14. Organization Chart and Employee Report.**

(a) No later than September 1, 2004, each registered or licensed primary owner shall submit a current organization chart and a listing of all employees and independent contractors to the Division and the Commission. The listing of employees and independent contractors shall be submitted on the form Gambling Business Employee and Independent Contractor Report (CGCC-540, Rev. 09/04), which is hereby incorporated by reference.

(b) Upon renewal of the registration or license, each registered or licensed primary owner shall submit an updated organization chart and a listing of all employees and independent contractors to the Division and the Commission.

(c) The primary owner shall notify the Division and the Commission in writing within ten (10) days of any change to its ownership structure.

**Authority:** Sections 19840, 19841, and 19853(a)(3), Business and Professions Code

**Reference:** Section 19853(a)(3), Business and Professions Code

**Section 12220.15. Transfers and Sales.**

(a) If any registered or licensed owner wishes to sell in whole or in part any ownership interest to any unregistered or unlicensed person, the owner must first notify the Commission in writing to request approval of the transaction. The transferee must apply for and be approved as a registrant or licensee. Evidence of the transferor's agreement to transfer the interest and, if applicable, the proposed articles of incorporation, shall accompany the application for registration or licensing.

(b) The effective date of the sale shall be at least 90 days after receipt of the application, or such other shorter time period as shall be set by the Executive Director with the agreement of the applicant.

(c) Evidence of final execution of a transfer or sale of an interest to a registered or licensed person shall be submitted in writing to the Commission within ten (10) days of the final transaction.

**Authority:** Sections 19840, 19841, and 19853(a)(3), Business and Professions Code

**Reference:** Section 19853(a)(3), Business and Professions Code

**Section 12220.16. Inspections and Investigations.**

(a) When requested by a representative of the Division, a registrant or licensee shall immediately permit the Division representative, in accordance with the request, to inspect, copy, or audit all requested documents, papers, books, and other records of the registrant or licensee related to the gambling business. If the records are maintained in electronic form and the registrant or licensee is requested to do so, the registrant or licensee shall provide a printed copy in English pursuant to this section within 24 hours of the request.

(b) If requested in writing by the Executive Director, the Division shall conduct an inspection or investigation of a registrant or a licensee. Within 30 days of receipt of the request, the Division shall advise the Executive Director in writing of the status of the inspection or investigation and shall also provide an estimated date on which the inspection or investigation may reasonably be expected to be concluded. Upon completion of the inspection or investigation, the Division shall provide a final written report to the Executive Director.

(c) Nothing in this chapter precludes Commission staff from carrying out their duties under applicable statutes and regulations.

(d) All records required by this chapter shall be maintained in English, in California, for at least five (5) years.

**Authority:** Sections 19840, 19841, and 19853(a)(3), Business and Professions Code

**Reference:** Section 19853(a)(3), Business and Professions Code

**Section 12220.17. Emergency Orders.**

Registrants and licensees under this chapter shall be subject to emergency orders under Business and Professions Code section 19931.

**Authority:** Sections 19840, 19841, and 19853(a)(3), Business and Professions Code

**Reference:** Section 19853(a)(3), Business and Professions Code

**Section 12220.18. Revocation.**

The Commission may revoke a registration or license, upon any of the following grounds, after a hearing conducted pursuant to the same procedures applicable to the revocation of a gambling establishment license:

- (a) The registrant or licensee committed, attempted to commit, or conspired to commit any acts prohibited by the Gambling Control Act or this chapter.
- (b) Any act or omission by the registrant that would disqualify the registrant from obtaining registration under this chapter. Any act or omission by the licensee that would disqualify the licensee from obtaining licensing under this chapter.
- (c) The registrant or licensee engaged in any dishonest, fraudulent, or unfairly deceptive activities in connection with controlled gambling, including any violation of laws related to cheating.
- (d) The registrant or licensee failed or refused to comply with the requirements of Section 12200.16 (Inspections and Investigations).
- (e) The registrant or licensee failed or refused to comply with the requirements of Section 12200.14 (Organization Chart and Employee Report).
- (f) The registrant or licensee concealed or refused to disclose any material fact in any inquiry by the Division or the Commission.
- (g) The registrant or licensee committed, attempted, or conspired to commit any embezzlement or larceny against a gambling business registrant or licensee or proposition player registrant or against a holder of a state gambling license, or on the premises of a gambling establishment.
- (h) The registrant or licensee has been lawfully excluded from being present upon the premises of any licensed gambling establishment for any reason relating to cheating or any violation of the Gambling Control Act by the registrant or licensee.
- (i) The registrant or licensee buys or sells chips other than to or from the house, except for exchanging with a patron, chips of one denomination for chips of another denomination.
- (j) The registrant or licensee lends money or chips to gambling establishment patrons or proposition players, except for exchanging with a patron, chips of one denomination for chips of another denomination.
- (k) The registrant or licensee made wagers that were not specifically authorized by the game rules approved by the Division.
- (l) Any owner knowingly permitted one or more of the owner's supervisors or players to commit any act described in subsections (a) to (k), inclusive.
- (m) Any owner knew, or failed to implement reasonable oversight procedures that would have apprised the owner, that one or more of the registrants or licensees was in violation of one or more provisions of this chapter or of the Gambling Control Act and failed or refused to take action to prevent the recurrence of the violation or violations.

**Authority:** Sections 19840, 19841, and 19853(a)(3), Business and Professions Code

**Reference:** Section 19853(a)(3), Business and Professions Code

**Section 12220.20. Annual Fee.**

- (a) (1) No later than September 1 of each year, beginning September 1, 2004, each registered primary owner shall submit to the Commission the annual fee set forth in subsection (c) of this section, based on the total number of registrations or licenses affiliated with the primary owner on the immediately preceding August 1. The payment

due September 1 of each year shall be based on the total number of registrations affiliated with the primary owner on August 1 of that same year.

(2) For each licensed primary owner, the annual fee shall be assessed based upon the total number of licenses affiliated the primary owner 120 days prior to the renewal due date.

(b) Within 30 days of approval of any request to convert a registration to a license, the Commission shall notify the licensee of any additional fees owed for the term of the license granted, allowing pro rata credit on a monthly basis for any annual fee paid in connection with a registration that has not expired.

(c) The annual fee shall be computed as follows:

(1) Beginning September 1, 2004, each primary owner shall pay the annual sum of two thousand fifty dollars (\$2050) per registrant or licensee. This fee shall be retroactive to September 1, 2004. Any overpayment of fees previously paid that cannot be applied against an installment payment, which is due shall be credited against the following year's annual fee obligation, unless the primary owner no later than February 1, 2005 submits a written refund request to the Executive Director.

(2) Beginning September 1, 2005, each primary owner shall pay the annual sum of two thousand three hundred dollars (\$2300) per registrant or licensee, less any applicable credit that may apply from subsection (c)(1) of this section.

(3) Beginning September 1, 2006, and thereafter, each primary owner shall pay the annual sum of two thousand eight hundred dollars (\$2800) per registrant or licensee, less any applicable credit that may apply from subsection (c)(1) of this section.

(d) (1) The annual fee for each registered primary owner may be paid in installments. The primary owner must submit a written request to the Executive Director to make installment payments prior to August 1 of that same year. Upon approval by the Executive Director, installment payments submitted prior to licensure shall be made as follows: one-third of the annual fee to be submitted no later than September 1, one-third no later than December 1, and the balance no later than March 1.

(2) The annual fee for each licensed primary owner may be paid in installments. The primary owner must submit a written request to the Executive Director to make installment payments 120 days prior to the expiration of the license. Upon approval by the Executive Director, installment payments submitted after conversion to licensure shall be made as follows: one-third of the annual fee to be submitted prior to issuance of the license, one-third to be submitted three months thereafter, and one-third to be submitted six (6) months thereafter.

(e) Refunds shall not be available in the event of a subsequent decrease in the number of registrants or licensees upon which the annual fee payment was based.

(f) (1) Following assessment of the annual fee, if the primary owner increases the number of its registrants or licensees above the number upon which the annual fee assessment was based, the primary owner shall submit to the Commission both the required application fee for the additional registrants or licensees and the additional per player fee set forth in subsection (c) of this section. No new badges shall be issued until all fees required by this subsection have been received by the Commission.

(2) Annual fees due under this subsection (f) shall be prorated on a monthly basis.

(3) Annual fees due under this subsection (f) may be paid in installments, on

the conditions that the installment payment request is submitted in writing, that one-third of the fees are paid with the application for additional registrants or licensees, and that two subsequent equal payments are paid at reasonable intervals prior to expiration of the applicable term, subject to the approval of the Executive Director.

(g) No renewal application shall be approved by the Commission until any delinquent annual fees have been paid in full.

**Authority:** Sections 19801, 19811, 19823, 19824, 19840, 19841, and 19853(a)(3), Business and Professions Code

**Reference:** Sections 19853(a)(3), 19951, Business and Professions Code

**Section 12220.20A. Annual Fee as Applied to Those Registered or Licensed Under Chapter 2.1.**

(a) A primary owner who is currently registered or licensed under Chapter 2.1 may also operate as a gambling business and not be required to pay annual fees under Chapter 2.2 if the following conditions are satisfied:

(1) The primary owner has paid all Chapter 2.1 annual fees due on the date of the Chapter 2.2 application.

(2) The primary owner files an application for registration or licensure under this Chapter and pays the required five hundred dollar (\$500) application fee.

(3) Each registrant or licensee affiliated with the primary owner under Chapter 2.1 who wishes to be registered or licensed under Chapter 2.2 pays a one hundred and twenty-five dollar (\$125) fee for this Chapter 2.2 registration or license.

(b) If an employee works solely as part of a gambling business and does not provide services under Chapter 2.1, then the primary owner shall pay the per registrant or licensee annual fee assessment for that employee pursuant to Section 12220.20.

(c) If a background investigation of a person has already been performed under Chapter 2.1, and if that person's registration or licensure under Chapter 2.1 is current, then a second background investigation shall not be required under this Chapter.

**Authority:** Sections 19840, 19841, and 19853(a)(3), Business and Professions Code

**Reference:** Section 19853(a)(3), Business and Professions Code

**Section 12220.21. Compliance.**

(a) Registrants and licensees shall comply with game rules approved by the Division, including but not limited to the rules regarding player-dealer rotation and table wagering.

(b) Only an authorized player may possess, direct, or otherwise control currency, chips, or other wagering instruments used for play in the operation of the gambling business.

**Authority:** Sections 19840, 19841, and 19853(a)(3), Business and Professions Code

**Reference:** Section 19853(a)(3), Business and Professions Code

**Section 12220.23. Exclusion**

(a) In order to promote the purposes of the Gambling Control Act to provide for effective regulation of gambling enterprises, owner-licensees of gambling establishments shall notify the Commission and Division of, and may exclude from the gambling establishment, any person that the owner-licensee reasonably believes is conducting a

gambling business within the gambling establishment without having been registered under this chapter. An owner-licensee acting under this section shall notify the Commission and Division in writing of any such unregistered person and any such exclusion, including the identity of the excluded individuals and entity if known, within ten (10) business days following the exclusion. Upon receiving such notice of an unregistered person, the Commission shall notify the person in writing of the registration requirement of this chapter and shall notify all owner-licensees of the name of the unregistered person, if known, and may condition any subsequent registration of the person under this chapter or Chapter 2.1 of this Division upon a 60 to 90 day suspension of registration or payment of a civil penalty under Business and Professions Code section 19930(c), or both.

(b) An owner-licensee of a gambling establishment may exclude any registered or licensed gambling business and shall notify the Commission and Division in writing within five (5) days following the exclusion.

**Authority:** Sections 19840, 19841, and 19853(a)(3), Business and Professions Code

**Reference:** Sections 19853(a)(3) and 19930, Business and Professions Code

## ***Article 2. Registration***

### **Section 12221. Registration.**

(a) On and after March 5, 2004, no person may engage in a gambling business as an owner or as an employee or independent contractor of an owner, nor may any person obtain a badge as required by Section 12220.3 without a current valid registration issued by the Commission. Persons registered to provide proposition player services under Chapter 2.1 (commencing with Section 12200) of this title are not required to register under this chapter to provide proposition player services pursuant to one or more proposition player contracts approved by the Division pursuant to Section 12200.9 of this title.

(b) Registration shall be issued for a period of one (1) year to owners and supervisors, and for a period of two (2) years to players and other employees.

(c) Registration under this Article or its predecessor shall not create any vested right to licensing under Article 3 of this chapter or any successor provision.

(d) If a primary owner is a corporation, partnership, or other business entity, each owner and individual having a relationship to that entity specified in Business and Professions Code section 19852, subdivisions (a) to (h), inclusive, shall individually apply for and obtain registration as an owner listed on the business entity's registration certificate.

(e) Any application for registration of any person, other than as the primary owner, shall designate the primary owner or owners that will employ the applicant or with whom the applicant otherwise will be affiliated.

(f) If the application is for registration as a supervisor, player, or other employee, the primary owner that will employ the applicant shall be currently registered under this chapter.

(g) Registration is non-transferable.

**Authority:** Sections 19840, 19841, and 19853(a)(3), Business and Professions Code

**Reference:** Section 19853(a)(3), Business and Professions Code

**Section 12222. Application for Registration.**

- (a) The application for registration shall designate whether registration is requested as a primary owner, other owner, or employee or independent contractor of the primary owner. The application shall be signed by the individual applicant and the designated agent, or, if the applicant is a business entity, by the chief executive officer or other designated officer of the business entity.
- (b) An application for registration shall include all of the following:
- (1) Payment of a nonrefundable application fee in the amount of five hundred dollars (\$500).
  - (2) A completed Application for Gambling Business Registration (CGCC-535, Rev. 09/04), which is hereby incorporated by reference.
  - (3) A properly completed Request for Live Scan Service (California Department of Justice Form BCII 8016, rev. 4/01) of an applicant that is an individual, confirming that the applicant's fingerprints have been submitted to the BCII for an automated background check and response.
  - (4) Two 2x2 inch color passport-style photographs of an applicant that is an individual taken no more than one (1) year before submission of the application to the Commission.
- (c) An applicant that is an individual shall complete and submit the form Gambling Business Registration Supplemental Information (CGCC-536, rev. 06/04), which is hereby incorporated by reference.
- (d) An applicant for registration shall make full and true disclosure of all information to the Commission and Division as required for the application and as requested by the Commission or Division to carry out the policies of this state relating to controlled gambling.

**Authority:** Sections 19840, 19841, and 19853(a)(3), Business and Professions Code

**Reference:** Sections 19853(a)(3) and 19951(a), Business and Professions Code

**Section 12223. Processing of Applications for Initial and Renewal Registration.**

- (a) The Executive Director shall notify the applicant in writing within twenty (20) days of receiving the application, that the application or resubmitted application is complete and accepted for filing, or that the application or resubmitted application is deficient. If an application for registration is incomplete, the Executive Director shall request in writing any information needed in order to complete the application. The applicant shall be permitted 30 days in which to furnish the information. If the applicant fails to respond to the request, the application shall be deemed abandoned and no further action will be taken on it.
- (b) Upon determination that an application for registration is complete, the application shall be processed within 60 days and the Executive Director shall either issue the registration and the badge applied for or shall notify the applicant of denial and the grounds therefore under Section 12224.
- (c) If the applicant submits a request for withdrawal of his or her application to the Commission, the application shall be deemed abandoned and no further action will be taken on it.
- (d) The Commission shall provide written notice of abandonment of an application to the applicant. If the application is for registration as other than the primary owner, the Commission shall also provide written notice of abandonment of the application to the primary owner.

(e) Nothing in this chapter shall require the Commission or Division to divulge to the applicant any confidential information received from any law enforcement agency or any information received from any person with assurances that the information would be maintained as confidential. Nothing in this chapter shall require the Commission or Division to divulge any information that might reveal the identity of any source of information or jeopardize the safety of any person.

**Authority:** Sections 19840, 19841, and 19853(a)(3), Business and Professions Code

**Reference:** Section 19853(a)(3), Business and Professions Code

**Section 12224. Ineligibility for Registration.**

An applicant shall be ineligible for registration for any of the following causes:

- (a) An individual applicant is under the age of 21.
- (b) The applicant has been convicted of any felony, including a conviction in a court of the United States or any other state of an offense that is classified as a felony by the laws of this state.
- (c) The applicant has, within the ten (10) year period immediately preceding the submission of the application, been convicted of a misdemeanor involving a firearm or other deadly weapon, gaming or gaming-related activities prohibited by Chapter 9 (commencing with Section 319) or Chapter 10 (commencing with section 330) of Title 9 of Part 1 of the Penal Code, violations of the Gambling Control Act, or dishonesty or moral turpitude, not including convictions which have been expunged or dismissed as provided by law.
- (d) The applicant has been subject to a final administrative or judicial adjudication revoking a registration under this chapter or a state gambling license, key employee license, work permit or finding of suitability or has had an application denied under this chapter or the Gambling Control Act.
- (e) The applicant would be ineligible for a state gambling license under any of the criteria set forth in Business and Professions Code section 19859, subdivisions (b), (e), or (f).
- (f) The applicant would be ineligible for a state gambling license under Business and Professions Code section 19858.
- (g) The applicant is ineligible based on any other provision of law.

**Authority:** Sections 19840, 19841, and 19853(a)(3), Business and Professions Code

**Reference:** Section 19853(a)(3), Business and Professions Code

**Section 12225. Cancellation of Registration.**

(a) Any registration issued in accordance with this chapter shall be subject to cancellation pursuant to this section. A registration shall be cancelled if the Commission determines after a noticed hearing that the registrant is ineligible for registration, has failed in the application for registration to reveal any fact material to the holder's qualification for registration, or has supplied information in the registration application that is untrue or misleading as to a material fact pertaining to the criteria for issuance of registration.

(b) If the Commission finds that any of the circumstances set forth in subsection (a) apply, then the Executive Director shall immediately do all of the following:

- (1) Provide written notice to the registrant and the Division of the cancellation of the registration and the grounds thereof, and provide written notice of the

cancellation to the primary owner, if the registrant is not the primary owner and to all gambling establishments.

(2) Notify the registrant, if an individual, that he or she is required to surrender the registrant's badge to the Commission not more than ten days following the date that the notice of the cancellation was mailed or such **greater** time as is authorized by the Executive Director.

**Authority:** Sections 19840, 19841, and 19853(a)(3), Business and Professions Code.

**Reference:** Section 19853(a)(3), Business and Professions Code

### **Section 12225.1. Transition to Licensing.**

(a) The Division shall summon persons registered as primary owners, owners, supervisors, players, and other employees for the purpose of applying for licenses under this chapter. The Division shall summon primary owners, owners, supervisors, players, and other employees as expeditiously as possible in light of available program resources. The registration of any registrant that fails or refuses to submit a Request for Conversion of a Gambling Business Registration to a License (CGCC-537, New 06/04)(see section 12233(c)) including any fees to the Commission within 30 days of receiving a summons from the Division shall expire by operation of law on the following day. Prior to and during review of a request to convert a registration to a license, a registration shall remain valid and may be renewed by the registrant as necessary, upon application and approval of renewal of registration.

(b) If the registration expires by operation of law, the former registrant shall submit a new request to convert a registration to a license and a new nonrefundable application fee.

(c) The transition from registration to licensing for applications approved prior to April 30, 2004, shall be completed no later than July 1, 2008.

(d) Except as provided for in subsection (b), a request to convert a registration to a license shall require only payment of a sum of money that in the judgment of the Director of the Division, will be adequate to pay the anticipated investigation and processing costs, in accordance with Business and Professions Code section 19867.

(e) If a license is issued, it will expire as provided in Section 12237 (Term of License).

**Authority:** Sections 19840, 19841, and 19853(a)(3), Business and Professions Code

**Reference:** Sections 19853(a)(3), 19867, Business and Professions Code

### **Article 3. Licensing**

#### **Section 12233. Request to Convert Registration to License.**

(a) A request to convert a registration to a license shall be submitted to the Commission only in response to a written summons from the Division to a primary owner pursuant to Section 12225.1. Each primary owner's request shall be accompanied by the requests of all affiliated owners, supervisors, players, and other employees.

(b) The request to convert a registration to a license shall designate whether the license is requested as a primary owner, owner, supervisor, player, or other employee. The request shall be signed by the individual requester or, if the requester is a business entity, by the chief executive officer or other designated officer of the business entity.

(c) The request to convert a registration to a license shall include all of the following:

(1) A completed Request for Conversion of a Gambling Business Registration to a License (CGCC-537, New 06/04), which is hereby incorporated by

reference.

(2) Two 2x2 inch color passport-style photographs of a requester that is an individual taken no more than one year before submission of the request to the Commission.

(3) The supplemental information package as defined in Section 12220.

(4) A sum of money that, in the judgment of the Director of the Division, will be adequate to pay the anticipated investigation and processing costs, in accordance with Business and Professions Code section 19867.

(5) A copy of the summons issued by the Division.

(d) Nothing in this chapter shall require the Commission or Division to divulge to the requester any confidential information received from any law enforcement agency or any information received from any person with assurances that the information would be maintained as confidential. Nothing in this chapter shall require the Commission or Division to divulge any information that might reveal the identity of any source of information or jeopardize the safety of any person.

**Authority:** Sections 19840, 19841, and 19853(a)(3), Business and Professions Code

**Reference:** Sections 19853(a)(3) and 19867, Business and Professions Code

#### **Section 12234. Withdrawal of Request to Convert Registration to License.**

(a) A request for withdrawal of a request to convert a registration to a license may be made at any time prior to final action upon the request by the Director by the filing of a written request to withdraw with the Commission. For the purposes of this section, final action by the Division means a final determination by the Director regarding his or her recommendation on the request to the Commission.

(b) The Commission shall not grant the request unless the requester has established that withdrawal of the request would be consistent with the public interest and the policies of the Gambling Control Act and this chapter. If a request for withdrawal is denied, the Division may go forward with its investigation and make a recommendation to the Commission upon the request, and the Commission may act upon the request to convert as if no request for withdrawal had been made.

(c) If a request for withdrawal is granted with prejudice, the requester thereafter shall be ineligible to renew its request until the expiration of one (1) year from the date of the withdrawal. Unless the Commission otherwise directs, no payment relating to any request is refundable by reason of withdrawal of request.

**Authority:** Sections 19840, 19841, and 19853(a)(3), Business and Professions Code

**Reference:** Sections 19853(a)(3) and 19869, Business and Professions Code

#### **Section 12235. Processing Times--Request to Convert Registration to License.**

(a) Except as provided in subsection (b), a request to convert a registration to license submitted pursuant to this chapter shall be processed within the following timeframes:

(1) The maximum time within which the Commission shall notify the applicant in writing that a request or a resubmitted request is complete and accepted for initial processing by the Commission, or that a request or a resubmitted requested is deficient and identifying what specific additional information is required, is 20 days after receipt of the request. For the purposes of this section, "request" means the form Request for Conversion of a Gambling Business Registration to a License (CGCC-537, New 06/04), which was incorporated by

reference in Section 12233. A request is not complete unless accompanied by both a copy of the summons from the Division setting a deadline for filing the request with the Commission and the supplemental information package required by section 12233(c)(3) for review by the Division pursuant to paragraph (3) of this subsection (a) for persons affiliated with the primary owner to whom the summons was addressed. The supplemental information shall not be reviewed for completeness by the Commission.

(2) A request and the supplemental information package shall be forwarded by the Commission to the Division for processing within ten (10) days of the date that the Commission determines that the request is complete.

(3) The Division shall review the supplemental information package submitted for completeness and notify the applicant of any deficiencies in the supplemental information package, or that the supplemental information package is complete, within 45 days of the date that the request and supplemental information package are received by the Division from the Commission. Notwithstanding this subsection, subsequent to acceptance of the supplemental information package as complete, the Division may, pursuant to Business and Professions Code section 19866, require the requester to submit additional information.

(4) Pursuant to Business and Professions Code section 19868, the Division shall, to the extent practicable, submit its recommendation to the Commission within 180 days after the date the Division is in receipt of both the completed request pursuant to paragraph (2) of this subsection (a) and the completed supplemental information package pursuant to paragraph (3) of this subsection (a). If the Division has not concluded its investigation within 180 days, then it shall inform the applicant and the Commission in writing of the status of the investigation and shall also provide the applicant and the Commission with an estimated date on which the investigation may reasonably be expected to be concluded.

(5) The Commission shall grant or deny the request within 120 days after receipt of the final written recommendation of the Division concerning the request, except that the Commission may notify the applicant in writing that additional time, not to exceed 30 days, is needed.

**Authority:** Sections 19840, 19841, and 19853(a)(3), Business and Professions Code

**Reference:** Sections 19853(a)(3) and 19868, Business and Professions Code

### **Section 12236. Ineligibility for Licensing.**

A requester shall be ineligible for licensing for any of the following causes:

(a) An individual applicant is under the age of 21.

(b) The requester has been convicted of any felony, including a conviction in a court of the United States or any other state of an offense that is classified as a felony by the laws of this state.

(c) The requester has, within the ten (10) year period immediately preceding the submission of the request to convert, been convicted of a misdemeanor involving a firearm or other deadly weapon, gaming or gaming-related activities prohibited by Chapter 9 (commencing with Section 319) or Chapter 10 (commencing with section 330) of Title 9 of Part 1 of the Penal Code, violations of the Gambling Control Act, or dishonesty or moral turpitude, unless the applicant has been granted relief pursuant to

Penal Code section 1203.4, 1203.4a, or 1203.45, provided, however, that the granting of relief pursuant to Penal Code section 1203.4, 1203.4a, or 1203.45 shall not constitute a limitation on the discretion of the Commission.

(d) If the request to convert is for licensing as an owner, supervisor, or player, the requester has been subject to a final administrative or judicial adjudication revoking a registration or license under this chapter or a state gambling license, key employee license, work permit or finding of suitability or has had an application denied under this chapter or the Gambling Control Act.

(e) The requester has failed to meet the requirements of Business and Professions Code sections 19856 or 19857.

(f) The requester would be ineligible for a state gambling license under any of the criteria set forth in Business and Professions Code section 19859, subdivisions (b), (e), or (f).

(g) The requester would be ineligible for a state gambling license under Business and Professions Code section 19858.

(h) The applicant is ineligible based on any other provision of law.

**Authority:** Sections 19840, 19841, and 19853(a)(3), Business and Professions Code

**Reference:** Sections 19853(a)(3), Business and Professions Code

#### **Section 12237. Term of License.**

(a) All initial licenses shall be issued for a period of two (2) years.

(b) Due to nonrecurring workload problems associated with the processing of the first round of requests to convert registrations to licenses, all other initial licenses that are granted within three (3) years of the effective date of these regulations shall be issued for a period of two (2) years.

(c) Beginning July 1, 2007, all initial and renewal licenses shall be issued for a period of one (1) year, except for player and other employee licenses, which shall be issued for a period of two (2) years.

**Authority:** Sections 19840, 19841, and 19853(a)(3), Business and Professions Code

**Reference:** Section 19853(a)(3), Business and Professions Code

## **Chapter 4. Gambling Equipment Manufacturers or Distributors**

### **Section 12300. Definitions.**

(a) Except as provided in section 12002 and in subsection (b) of this regulation, the definitions in Business and Professions Code section 19805 shall govern the construction of the regulations contained in this chapter:

(b) As used in this chapter only:

(1) "Antique collector" means any individual that sells, exchanges, or otherwise transfers five or fewer antique slot machines, as defined in Penal Code section 330.7, during any calendar year. For purposes of computing the number of antique slot machines transferred during any calendar year, transactions in which a registered manufacturer or distributor acts as an agent or broker on behalf of an antique collector shall not be counted or included. "Antique collector" does not include any individual who is otherwise a manufacturer or distributor within the meaning of paragraph (7) of this subsection.

(2) "Class B" refers to any manufacturer or distributor that has no place of

business in the State of California and that does not transport gambling equipment to a destination within the State of California, other than transportation of gambling equipment from an out-of-state location to a tribal gaming facility in this state in compliance with the requirements of section 7.4.5 of the applicable Tribal-State Gaming Compact and the procedures established by agreement thereunder. All other manufacturers or distributors are Class A.

(3) "Essential Parts" means and includes any of the following:

(A) Game and pay table programmed media, whether in programmable read-only memory or erasable programmable read-only memory.

(B) Other electronic or magnetic storage media containing programming or data that affect the outcome of the game.

(4) "Executive Director" means Executive Director of the Commission or such other person who may be designated by the Commission.

(5) "Gambling equipment" means any slot machine or device as defined in section 330b or 330.1 of the Penal Code. "Gambling Equipment" also includes

(A) any essential part and (B) any inoperable slot machine or device that is substantially complete and repairable or that can be made operable with the installation of one or more essential parts. Any reference to slot machines or devices has the meaning defined in Penal Code sections 330b and 330.1.

(6) "Manufacture or distribute" and "manufacture or distribution" refer to the activities of a manufacturer or distributor specified in paragraph (7) of this subsection.

(7) "Manufacturer or Distributor" means any person that manufactures, including the assembly, production, programming, or modification of, distributes, sells, leases, inspects, tests, repairs, refurbishes, or stores gambling equipment in this state or for use in this state. Manufacturer or distributor includes, in addition to in-state manufacturers and distributors, persons performing these functions in a location outside of this state with respect to gambling equipment intended for operation in this state.

(8) "Registration" means registration with the Commission under this chapter.

**Authority:** Sections 19823, 19824, 19840 and 19841(r), Business and Professions Code; and Section 337j, Penal Code.

**Reference:** Section 19841(r), Business and Professions Code; and Section 337j(e)(1), Penal Code.

### **Section 12301. Registration of Manufacturers or Distributors.**

(a) Except as provided in Section 12310, and after December 31, 2002, no person may manufacture or distribute gambling equipment unless that person has a currently valid registration as a manufacturer or distributor in accordance with these regulations.

(b) Each manufacturer or distributor shall apply for registration with the Commission, using the form required by Section 12309. Any manufacturer or distributor in business on the effective date of this chapter shall submit an application for registration to the Commission within 30 days of the effective date of this chapter. An application for registration shall include all of the following:

(1) The applicant's name, Federal Employer Identification Number, if any, or Social Security Number, voice telephone number, facsimile telephone number, and address of its principal place of business and of each location in this state at which it conducts the business of manufacture or distribution of gambling

equipment or gambling equipment parts, including a list of its storage facilities. For purposes of this paragraph, a vehicle used for storage or distribution of gambling equipment parts shall be deemed to be located at the address in this state where customarily garaged or kept when not in use.

(2) A statement specifying in which activities the applicant engages with respect to gambling equipment located, operated, or to be operated in this state, including, as applicable, manufacturing, distributing, selling, leasing, inspecting, testing, repairing, refurbishing, or storing.

(3) Whether the application is for registration as a class A or as a class B manufacturer or distributor.

(4) If the applicant is a business entity, the name, mailing address, voice telephone number, and facsimile telephone number, if any, of its chief executive officer, or other person designated by the entity to serve as the entity's representative.

(5) If the principal place of business of the applicant is located outside of this state, the applicant shall provide a copy or other evidence of current licensure in the jurisdiction in which it is located to manufacture or distribute gambling equipment, or shall submit a statement that licensure is not required by the jurisdiction in which it is located.

(6) A copy of the applicant's current registration with the United States Attorney General pursuant to the Gambling Devices Act of 1962, 15 United States Code section 1173, if the applicant is so registered. If the applicant is not so registered, the application shall include a statement that the applicant is not required to register under the Gambling Devices Act of 1962, Title 15 United States Code section 1173.

(7) Whether the manufacturer or distributor has currently designated an agent for service of process pursuant to the laws of this state by a filing with the Secretary of State and, if so, the name of the designated agent for service of process.

(8) A statement that the application is accurate and complete within the personal knowledge of the designated representative who executes the application.

(9) A declaration under penalty of perjury in the form specified in Section 2015.5 of the Code of Civil Procedure signed by the designated representative that the application is true and correct.

(10) (A) Except as provided in subparagraph (B) of this paragraph, for Class A registration, a nonrefundable application fee of five hundred dollars (\$500) shall be submitted with the application for initial registration, and annually thereafter with each application for renewal at least thirty days prior to the anniversary date of initial registration. For Class B registration, no fee shall be required for initial registration or renewal. Applications for renewal of Class B registration shall be submitted annually at least thirty days prior to the anniversary date of initial registration.

(B) The nonrefundable annual application fee for a manufacturer or distributor applying for Class A registration that sells, leases, inspects, tests, repairs, refurbishes, or stores only slot machines or devices that are "antique slot machines" within the meaning of Penal Code section 330.7 shall be forty dollars (\$40), provided that this subparagraph does not apply to a person that is otherwise a manufacturer or distributor or who is an antique collector exempt from registration under Section 12301.1.

**Authority:** Sections 19823, 19824, 19840 and 19841(r), Business and Professions Code.

**Reference:** Sections 19805(b), 19841(r) and 19951(a), Business and Professions Code; Section 2015.5, Code of Civil Procedure; Section 330.8, Penal Code; and Chapter 24 (commencing with Section 1171) of Title 15 of the United States Code.

**Section 12301.1. Claim of Exemption by Antique Collector; Form.**

(a) An antique collector may obtain an exemption from registration under this chapter if the antique collector satisfies all of the following requirements:

(1) Submits a completed Antique Collector Claim of Exemption CGCC 039 (Rev. 12-06), which is hereby incorporated by reference, in which the antique collector declares under penalty of perjury in the form specified in Section 2015.5 of the Code of Civil Procedure that the information provided in the application is accurate and complete.

(2) The antique collector maintains and retains in California for a period of five years a record of each transaction showing the names and addresses of all parties to the transaction.

(b) Any antique collector who intends to sell, exchange, or transfer more than five antique slot machines within a calendar year shall register as a manufacturer or distributor as otherwise required by this chapter.

(c) The records of slot machine transactions and the inventory of slot machines in the possession of any antique collector shall be subject to inspection by representatives of the Commission or the Division during normal business hours.

**Authority:** Sections 19823, 19824, 19840 and 19841(r), Business and Professions Code.

**Reference:** Sections 19805(b), 19841(r) and 19951(a), Business and Professions Code; Section 2015.5, Code of Civil Procedure; Section 330.8, Penal Code; Chapter 24 (commencing with Section 1171) of Title 15 of the United States Code.

**Section 12302. Delegation of Authority; Process Times.**

(a) The Executive Director shall review and grant or deny applications for registration in accordance with this chapter.

(b) The Executive Director shall approve an application for registration under this chapter if the application satisfies the requirements of section 12301(b) of this chapter.

(c) The Executive Director shall notify the applicant in writing within ten business days of receiving the application, that the application or resubmitted application is complete and accepted for filing, or that the application or resubmitted application is deficient. If an application for registration is incomplete, the Executive Director shall request in writing any information required in order to complete the application. If the applicant fails to provide the required information within 45 days, the application shall be deemed abandoned and no further action will be taken on it.

Upon determination that an application for registration is complete, the application shall be processed within ten business days and the Executive Director shall either issue the registration applied for or shall notify the applicant of denial and the grounds thereof.

(d) Notwithstanding any other provision of this chapter, including subsection (a) of Section 12301, the time within which to register as a manufacturer or distributor shall be extended during any time required by the Executive Director for consideration of a registration application that has been resubmitted pursuant to subsection (c) of this section.

**Authority:** Sections 19823, 19824, 19840 and 19841, Business and Professions Code.

**Reference:** Sections 19805(b) and 19841(r), Business and Professions Code.

**Section 12303. Conditions of Registration.**

(a) Each manufacturer or distributor shall, as a condition of continued registration, comply with the following continuing requirements:

(1) Submit in duplicate to the Commission, at its office in the City of Sacramento, within 30 days after the close of each calendar quarter, a report on sales and shipments of gambling equipment as follows:

(A) Except as provided in subparagraph (D) of this paragraph (1), for each shipment of gambling equipment received or sent out by the manufacturer or distributor from or to a location in the State of California during the preceding calendar quarter, the report shall include all of the following information:

- (i) The name and address of the sender.
- (ii) The name and address of the recipient.
- (iii) The date of shipment,
- (iv) The bill of lading number.
- (v) The manufacturer of each item of gambling equipment if different from the sender.
- (vi) The model (no.) of each item of gambling equipment.
- (vii) The year of manufacture (if known) of each slot machine or device/essential part shipped.
- (viii) The manufacturer's serial number, if any, of each slot machine or device/essential part.
- (ix) The number of units of each type, manufacturer, and model (no.) of slot machine/essential part.

(B) For each sale, lease, or other transfer of gambling equipment not otherwise reportable under subparagraph (A) of this paragraph, and any transfer as an agent or broker on behalf of an antique collector, during the preceding calendar quarter by the manufacturer or distributor from or to a location within the State of California, the report shall include all of the following information:

- (i) The names and addresses of all parties to the sale or lease.
- (ii) The date of the contract of sale or lease.
- (iii) The date of shipment or delivery of the gambling equipment.
- (iv) The name of the manufacturer of the gambling equipment if different from the seller.
- (v) The year of manufacture (if known) of each slot machine or device/essential part sold.
- (vi) The manufacturer's serial number, if any, of each slot machine or device/essential part.
- (vii) The number of units of each type, manufacturer, and model (no.) of slot machine/essential part.

(C) If a manufacturer or distributor delivers or ships gambling equipment to a purchaser or other recipient at a location in this state for subsequent transportation in interstate or foreign commerce as provided in California Penal Code section 330.8, the purchaser or other recipient shall be a registrant under this chapter. These transactions shall be reported pursuant

to subparagraph (B) of this paragraph.

(D) Any shipment of gambling equipment sent by a manufacturer or distributor to a tribal gaming facility or sent by a tribal gaming facility to a manufacturer or distributor that is reported to the Division pursuant to the terms of the transportation agreement required by Section 7.4.5 of the applicable Tribal-State Gaming Compact, need only be reported to the Commission by reference to the recipient and date of the report sent to the Division, if the report provided to the Division specifies the manufacturer, model (no.), and manufacturer's serial number of the gambling equipment shipped and the shipment is transported in full compliance with all of the requirements of the transportation agreement, including the following:

- (i) The gambling equipment shall be located in a locked compartment or sealed container within the conveyance while being transported.
- (ii) The gambling equipment shall not be accessible for use while being transported, and,
- (iii) No gambling equipment shall be operated except on the Tribe's lands.

(E) The report shall also include a list of all items of gambling equipment or essential parts in the possession or custody of the registrant at any location in this state (other than a shipment in transit) during the reporting period and the address of each business location of the registrant in this state at which each listed item of gambling equipment or essential part was stored or otherwise located.

(F) The report shall include a statement that it is accurate and complete within the personal knowledge of the designated representative who executes the report, and a declaration under penalty of perjury that it is true and correct, signed by the designated representative in the form specified in Code of Civil Procedure section 2015.5.

(G) The initial quarterly report required by this section shall be for the first calendar quarter of 2003 and shall be submitted and received no later than 30 days following the close of that calendar quarter.

(2) Advise the Commission in writing of any new California business location or any termination of an existing business location, within 15 days following the change.

(3) Submit to any representative of the Commission or the Division any additional information requested by the representative concerning the registrant's activities as a manufacturer or distributor, including copies of any records maintained or retained pursuant to Title 15, United States Code, section 1173. The information shall include a statement that the information is accurate and complete within the personal knowledge of the designated representative who executes the report, and a declaration under penalty of perjury that it is true and correct, signed by the designated representative in the form specified in Code of Civil Procedure section 2015.5.

(4) Submit to inspection and examination by the Division of all premises where gambling equipment is manufactured, sold, or distributed, pursuant to Business and Professions Code section 19827(a)(1)(B).

(5) Submit to audits by representatives of the Commission, upon request, during normal business hours in order to verify the accuracy of reporting under this chapter.

(b) The Commission may deny or revoke a registration, upon any of the following grounds, after a duly noticed hearing:

(1) The manufacturer or distributor has failed or refused to comply with any requirement of this chapter.

(2) The manufacturer or distributor has violated Penal Code sections 330a, 330b, 330.1, or 330.8.

(c) This section shall become operative on August 1, 2003, and applies to reports for all quarters beginning with the report for the third quarter of 2003, which report shall contain data reflecting the new requirements for the months of July, August, and September.

**Authority:** Sections 19801(g), 19823, 19824, 19827(a)(1), 19840 and 19841(r), Business and Professions Code.

**Reference:** Sections 19841(r), 19930 and 19931, Business and Professions Code.

#### **Section 12304. Fines.**

(a) In addition to, or in lieu of, any denial or revocation of registration under Section 12303(b), any violation of this chapter other than as provided in subsection (c) of this section shall be subject to a fine not to exceed ten thousand dollars (\$10,000) upon first offense and twenty thousand dollars (\$20,000) upon any second or subsequent offense for each separate violation, as provided by Business and Professions Code section 19930, subdivision (c).

(b) Each day a violation continues shall be deemed a separate violation commencing after receipt of notice of violation by the manufacturer or distributor from the Commission or Division or 30 days after commencement of the violation, whichever first occurs.

(c) A manufacturer or distributor shall be liable for a civil penalty not to exceed five hundred dollars (\$500) per business day for each business day that the report required by Section 12303(a)(1) is overdue. For purposes of this chapter, the report shall be deemed overdue if not received by the Commission within 30 calendar days following the last day of the calendar quarter for which the report is required.

**Authority:** Sections 19823, 19824, 19840 and 19841(r), Business and Professions Code.

**Reference:** Sections 19841(r), 19930 and 19931, Business and Professions Code.

#### **Section 12305. Availability of Records.**

(a) Copies of any and all records provided to the Commission by applicants and registrants under this chapter shall be provided upon request to the Division and made available upon request to any law enforcement agency.

(b) Upon request of the Commission, copies of the following records shall be provided by the Division to the Commission:

(1) Any and all records received by the Division from manufacturers and distributors,

(2) Any and all transportation agreements and amendments to transportation agreements entered into with gaming tribes under the Tribal-State Gaming Compacts referred to in section 12306,

(3) Any and all records received by the Division pursuant to transportation agreements entered into with gaming tribes under the Tribal-State Gaming Compacts referred to in section 12306.

**Authority:** Sections 19823, 19824, 19840 and 19841(r), Business and Professions Code.

**Reference:** Sections 19805(b) and 19841, Business and Professions Code.

**Section 12306. Applicability on Indian Lands.**

This chapter does not apply to the manufacture or distribution of gambling equipment conducted upon Indian lands in this state on which class III gaming has been authorized, in accordance with a Compact between a federally recognized Indian Tribe and the State of California, as provided in Section 11 of the Indian Gaming Regulatory Act of 1988 (P.L. 100-497), Title 25, United States Code, section 2710 and any amendments thereto; provided, that the manufacture or distribution is not prohibited by the laws of the United States and is limited to gambling equipment that is used or for use in the Tribe's gaming operation, including the sale of gambling equipment previously acquired for use in the Tribe's gaming operation.

**Authority:** Sections 19823, 19824, 19840 and 19841(r), Business and Professions Code.

**Reference:** Section 19841(r), Business and Professions Code; and Title 25, United States Code, section 2710.

**Section 12308. Penal Code Applicability.**

Nothing in this chapter shall be construed to make lawful the manufacture, distribution, or transportation of any slot machine or device in violation of any provision of chapter 10 (commencing with section 330) of Title 9 of Part 1 of the Penal Code.

**Authority:** Sections 19823, 19824, 19840 and 19841(r), Business and Professions Code.

**Reference:** Section 19841(r), Business and Professions Code; and Chapter 10 (commencing with Section 330) of Title 9 of Part 1, Penal Code.

**Section 12309. Forms.**

(a) Applications for registration under section 12301(b) shall be submitted on the Application for Registration of Manufacturers or Distributors of Gambling Equipment CGCC 025 (Rev. 12-06), which is hereby incorporated by reference.

(b) Quarterly Report CGCC 040 (rev. 11/03), which is hereby incorporated by reference, may but need not be used for submission of reports required by Section 12303.

**Authority:** Sections 19823, 19824, 19840, 19841(r) and 19864, Business and Professions Code.

**Reference:** Sections 19841(r) and 19951(a), Business and Professions Code; Section 2015.5, Code of Civil Procedure; Section 330.8, Penal Code; Chapter 24 (commencing with Section 1171) of Title 15 of the United States Code.

**Section 12310. Uniform Tribal Gaming Regulation Exemption.**

There shall be exempt from this chapter all Class B manufacturers and distributors that are subject to requirements of a Tribal Gaming Agency pursuant to a uniform regulation (1) that has been approved by the Association of Tribal and State Gaming Regulators, and is in effect as provided in Section 8.4.1 of the Tribal-State Gaming Compacts, and (2) that includes the requirement for manufacturers and distributors to provide quarterly reports to the Commission pertaining to gaming device shipments pursuant to the Transportation Agreements entered into by Tribal Gaming Agencies and the State Gaming Agency pursuant to Section 7.4.5 of the Tribal-State Gaming Compacts, which

reports are verified by a declaration under penalty of perjury signed by the designated representative of the manufacturer or distributor that the report is true and correct.

**Authority:** Sections 19823, 19824, 19840 and 19841(r), Business and Professions Code.

**Reference:** Section 19841(r), Business and Professions Code.

## **Chapter 5. [Reserved]**

## **Chapter 6. State Gambling Licenses and Approvals For Gambling Establishments, Owners, and Key Employees**

### **Section 12341. Fee for Initial State Gambling License.**

(a) The fee required by Business and Professions Code section 19951, subdivision (b)(2)(A) for initial issuance of a state gambling license shall be based on the number of tables authorized by the state gambling license and determined pursuant to the following schedule:

- (1) For a license authorizing one to five tables, inclusive, at which games are played, three hundred dollars (\$300) for each table.
- (2) For a license authorizing six to eight tables, inclusive, at which games are played, five hundred fifty dollars (\$550) for each table.
- (3) For a license authorizing 9 to 14 tables, inclusive, at which games are played, one thousand three hundred dollars (\$1,300) for each table.
- (4) For a license authorizing 15 to 25 tables, inclusive, at which games are played, two thousand seven hundred dollars (\$2,700) for each table.
- (5) For a license authorizing 26 to 70 tables, inclusive, at which games are played, four thousand dollars (\$4,000) for each table.
- (6) For a license authorizing 71 or more tables at which games are played, four thousand seven hundred dollars (\$4,700) for each table.

(b) Subsection (a) applies to the following:

- (1) The initial issuance of a state gambling license to the holder of a provisional license as defined in Title 11, California Code of Regulations, section 2140(c).
- (2) The initial issuance of a state gambling license to a person who has purchased an existing gambling establishment and who is seeking issuance of an owner's state gambling license certificate pursuant to Business and Professions Code section 19851.

(c) Subsection (a) does not apply to the following:

- (1) Changes in the ownership structure of currently licensed gambling establishments.
- (2) Holders of newly acquired interests in currently licensed gambling establishments.

**Authority:** Sections 19811, 19824, 19840, 19841(a), and 19951(b)(2)(A), Business and Professions Code

**Reference:** Section 19951(b)(2)(A), Business and Professions Code

### **Section 12342. Initial and Renewal License Applications; Required Forms**

(a) Any person applying for a state gambling license or key employee license shall, as appropriate, complete the following forms, which are hereby incorporated by reference:

- (1) Application for State Gambling License, CGCC-030 (Rev. 01-05).

- (2) Application for Key Employee License, CGCC-031 (Rev. 01-05).
- (3) Cardroom Applicant Supplemental Information for State Gambling License, DGC-APP. 015A (Rev. 09-04).
- (4) Cardroom Applicant – Business Supplemental Information for State Gambling License, DGC-APP. 015B (New 09-04).
- (5) Gambling Establishment Supplemental Information for State Gambling License, DGC-APP. 015C (New 09-04).
- (6) Cardroom Key Employee Supplemental Information for State Gambling License, DGC-APP. 016A (Rev. 09-04).
- (7) Cardroom Applicant’s Spouse Supplemental Background Information for State Gambling License, DGC-APP. 009A (Rev. 09-04).
- (8) Renewal Supplemental Information for State Gambling/Key Employee License and Instructions to Renewal Applicants, DGC-APP. 017A (Rev. 12-04).
- (9) Declaration of Full Disclosure, DGC-APP. 005 (Rev. 09-04).
- (10) Authorization to Release Information, DGC-APP. 006 (Rev. 09-04).
- (11) Applicant’s Declaration, Acknowledgment and Agreement (Community Property Interest), DGC-APP. 011 (Rev. 09-04).
- (12) Applicant’s Declaration, Acknowledgment and Agreement (Sole and Separate Property), DGC-APP. 012 (Rev. 09-04).
- (13) Spouse’s Declaration, Acknowledgment and Agreement (Community Property Interest), DGC-APP. 013 (Rev. 09-04).
- (14) Spouse’s Declaration, Acknowledgment and Agreement (Sole and Separate Property), DGC-APP. 014 (Rev. 09-04).
- (15) Report of Annual Gross Revenues DGC-APP. 018 (Rev. 09-03).
- (16) Declaration of Compliance With The Requirement for Public Notice of Application for a Gambling License, DGC-LIC. 100 (Rev. 07-03).
- (17) Instructions for Public Notice of an Application for a Gambling Establishment License, DGC-LIC. 102 (Rev. 07-03).
- (18) Public Notice of An Application for a Gambling Establishment License, DGC-LIC. 102A (Rev. 7-03).
- (19) Appointment of Designated Agent, DGC-APP. 008 (Rev. 09-03).
- (20) Employee Work Permit Certification, DGC-APP. 019 (Rev. 09-03).
- (21) Key Employee Report, DGC-LIC. 101(Rev. 07-03).
- (22) Instructions to Applicants, DGC-APP. 007 (Rev. 12-04).
- (23) Instructions to Applicant’s Spouse, DGC-APP .010 (Rev.12-04).
- (24) Notice to Applicants, DGC-APP. 001 (Rev. 09-04).
- (25) Request for Live Scan Service (California Department of Justice Form BCII 8016, Rev. 4/01).
- (26) Request for Copy of Personal Income Tax or Fiduciary Return, FTB-3516C1 (Rev. 06/03 side 1-PIT).
- (27) Request for Copy of Corporation, Exempt Organization, Partnership, or Limited Liability Company Return FTB-3516C1 (Rev. 06/03 side 2-CORP).
- (28) Tax Information Authorization (IRS 8821, Rev. April 2004).

**Authority:** Business and Professions Code sections 19811, 19824,19840, and 19841

**Reference:** Business and Professions Code sections 19850, 19851, 19852, 19854, 19855, 19856, 19857, 19864, 19865, 19866, 19867, 19876, 19880, 19881, 19883, 19890, 19893, 19951, and 19982

### **Section 12343. Processing Times—Initial applications**

(a) Except as provided in subsection (b), initial gambling or key employee license applications submitted pursuant to this chapter shall be processed within the following timeframes:

(1) The maximum time within which the Commission shall notify the applicant in writing that an application or a resubmitted application is complete and accepted for initial processing by the Commission, or that an application or a resubmitted application is deficient and identifying what specific additional information is required, is 20 days after receipt of the application. For the purposes of this section, “application” means the Application for State Gambling License, CGCC-030 (Rev. 01-05) and the Application for Key Employee License, CGCC-031 (Rev. 01-05), both of which are incorporated by reference in Section 12342. An application is not complete unless accompanied by the fee of five hundred dollars (\$500) specified in Business and Professions Code section 19951(a). In addition, an applicant shall submit with the application, any supplemental information required by section 12342 for review by the Division pursuant to paragraph (3) of this subsection. The supplemental information shall not be reviewed for completeness by the Commission.

(2) An application for a license and the supplemental information shall be forwarded by the Commission to the Division for processing within 10 days of the date that the Commission determines that the application is complete.

(3) The Division shall review the supplemental information submitted for completeness and notify the applicant of any deficiencies in the supplemental information, or that the supplemental information is complete, within 30 days of the date that the application and supplemental information are received by the Division from the Commission. Notwithstanding this subsection, subsequent to acceptance of the supplemental information as complete, the Division may pursuant to Business and Professions Code section 19866 require the applicant to submit additional information.

(4) Pursuant to Business and Professions Code section 19868, the Division shall, to the extent practicable, submit its recommendation to the Commission within 180 days after the date the Division is in receipt of both the completed application pursuant to paragraph (2) of this subsection and the completed supplemental information pursuant to paragraph (3) of this subsection. If the Division has not concluded its investigation within 180 days, then it shall inform the applicant and the Commission in writing of the status of the investigation and shall also provide the applicant and the Commission with an estimated date on which the investigation may reasonably be expected to be concluded.

(5) The Commission shall grant or deny the application within 120 days after receipt of the final written recommendation of the Division concerning the application, except that the Commission may notify the applicant in writing that additional time, not to exceed 30 days, is needed.

(b) The processing times specified in subsection (a) may be exceeded in any of the following instances:

(1) The applicant has agreed to extension of the time.

(2) The number of licenses to be processed exceeds by 15 percent the number processed in the same calendar quarter the preceding year.

(3) The Commission must rely on another public or private entity for all or part of the processing and the delay is caused by that other entity.

**Authority:** Business and Professions Code sections 19811, 19824, 19840 and 19841.

**Reference:** Business and Professions Code sections 19841 and 19868.

#### **Section 12344. License Renewals**

(a) Each application for renewal of a state gambling license for an individual or a business organization or for renewal of a key employee license shall be accompanied by all of the following:

(1) A completed form application:

(A) Applicants for a state gambling license shall use the form "Application for State Gambling License, CGCC-030 (Rev. 01-05)."

(B) Applicants for a key employee license shall use the form "Application for Key Employee License, CGCC-031 (Rev. 01-05)."

(2) A completed form entitled "Renewal Supplemental Information for State Gambling/Key Employee License and Instructions to Renewal Applicants, DGC-APP.017A (Rev. 12-04)" together with any documents required by the form.

(3) A nonrefundable application fee in the amount of five hundred dollars (\$ 500).

(b) Each key employee or other person whose name is required to be endorsed upon the license shall submit a separate application for renewal of that person's license, together with the application fee specified in subsection (a).

(c) All applications for renewal of state gambling licenses and key employee licenses for a particular gambling establishment shall be submitted together as a single package to the California Gambling Control Commission.

(d) If, after a review of an application for renewal of a state gambling license or a key employee license, the Division of Gambling Control determines that further investigation is needed, the applicant shall submit an additional sum of money that, in the judgment of the Director of the Division, will be adequate to pay the anticipated investigation and processing costs, in accordance with Business and Professions Code section 19867.

**Authority:** Sections 19811, 19824, 19840 and 19841, Business and Professions Code.

**Reference:** Sections 19876, 19851 and 19951, Business and Professions Code.

#### **Section 12345. Processing Times—Renewal applications**

(a) Except as provided in subsection (b), renewal gambling or key employee license applications submitted pursuant to Section 12344 shall be processed within the following timeframes:

(1) An application for renewal of a gambling license or key employee license shall be filed by the owner licensee or the key employee with the Commission no later than 120 days prior to the expiration of the current license.

(2) The maximum time within which the Commission shall notify the applicant in writing that an application or a resubmitted application is complete and accepted for initial processing by the Commission, or that an application or a resubmitted application is deficient and identifying what specific additional information is required, is 10 days after receipt of the application. For the purposes of this section, "application" means the Application for State Gambling License, CGCC-030 (Rev. 01-05) and the Application for Key Employee License, CGCC-031 (Rev. 01-05), both of which are incorporated by reference in Section 12342. An application is not complete unless accompanied

by the fee of five hundred dollars (\$500) specified in Business and Professions Code section 19951(a). In addition, an applicant shall submit with the application, any supplemental information required by section 12342 for review by the Division.

(3) An application for a license and the supplemental information shall be forwarded by the Commission to the Division for processing within five days of the date that the Commission determines that the application is complete.

(4) The Division shall submit its written recommendation concerning the renewal application to the Commission no later than 45 days prior to the expiration of the current license.

(b) The processing times specified in paragraphs (2) through (4) of subsection (a) may be exceeded in any of the following instances:

(1) The applicant has agreed to extension of the time.

(2) The number of licenses to be processed exceeds by 15 percent the number processed in the same calendar quarter the preceding year.

(3) The Commission must rely on another public or private entity for all or part of the processing and the delay is caused by that other entity.

**Authority:** Business and Professions Code sections 19811, 19824, 19840 and 19841.

**Reference:** Business and Professions Code sections 19868 and 19876.

#### **Section 12347. Interim Key Employee Status While Application Pending.**

(a) Unless given 30 days after hiring to file an application for key employee licensure pursuant to Business and Professions Code section 19883 (corporate owner-licensee exemption for key employees), gambling establishment employees holding a valid work permit or license for any gambling establishment may begin work as an interim key employee provided that written notice is given to the Commission and Division within ten days of the employee's assumption of key employee duties, accompanied by a description of the key employee duties the employee will perform and a copy of the employee's current work permit or license for any licensed gambling establishment.

(b) An interim key employee shall, within 30 days of assuming a key employee position, submit the following:

(1) The Commission's key employee license application form, CGCC-031, as referenced in section 12342,

(2) The Division's key employee supplemental application, DGC-APP 016A, as referenced in section 12342, and

(3) All applicable fees and deposits due for a key employee license.

(c) An applicant for key employee licensure currently working as an interim key employee shall cease working in a key employee position if the application for key employee licensure is abandoned or denied, if the employee's work permit is revoked or cancelled before the key employee license is approved, or if the Executive Director notifies the applicant and gambling establishment that the interim status is cancelled pursuant to subsection (d), below.

(d) With ten day's advance written notice to the interim key employee and to the gambling establishment, the Executive Director shall cancel the interim key employee status based upon the following:

(1) Evidence showing that the applicant has sustained any disqualifying criminal convictions;

- (2) Evidence showing that the applicant is statutorily ineligible for a key employee license under the Act;
  - (3) Evidence which discloses that having the applicant serve as a interim key employee pending determination of their application may in the judgment of the Executive Director present a danger to the public or to the reputation of controlled gambling in this state;
  - (4) A determination by the Executive Director that the applicant has failed to reveal any fact that is material to, or supplied materially untrue or misleading information on, the applicant's key employee license application;
  - (5) A Division recommendation of denial of the applicant's key employee application;
  - (6) Referral by the Commission of the applicant to an evidentiary hearing with direction to the Executive Director to cancel the interim key employee status; or
  - (7) A determination by the Executive Director that the gambling establishment using the interim key employee procedure has shown a pattern or practice of hiring or promoting persons to key employee positions in violation of subsection (a) above or that the gambling establishment has acted in bad faith, with actual knowledge that the persons hired or promoted would be ineligible for licensure.
- (e) Within ten days of the date of notice of a cancellation of interim status pursuant to this section, the gambling establishment shall notify the Commission in writing of the effective date of the position change for or suspension of the employee, and shall describe the employee's revised job duties, if any.
- (f) Judicial review of a cancellation of interim status shall be by petition pursuant to Section 1085 of the Code of Civil Procedure.

**Authority:** Sections 19823, 19824, 19840, and 19841, Business and Professions Code.

**Reference:** Sections 19805(w), 19805(x), 19850, 19855, 19856, 19857, 19859, 19866, 19870, and 19883, Business and Professions Code

**Section 12358. Request for Additional Temporary Tables for Tournaments or Special Events.**

(a) An owner licensee of a gambling establishment may apply to operate, on a limited and temporary basis, for a tournament or special event (hereinafter, event), more tables than the gambling establishment is authorized to regularly operate. To apply for additional tables, the applicant must submit to the Commission, no less than 45 days prior to the event, the following for each event:

(1) A completed and signed application form entitled "Request for a Certificate to Operate Additional Tables on a Temporary Basis" CGCC-024 (Rev. 01/07), which is attached in Appendix A to this Chapter.

(2) A non-refundable application fee of \$500, made payable to the California Gambling Control Commission, plus a Division review deposit made payable to the Division of Gambling Control, pursuant to California Code of Regulations, title 11, section 2037.

(3) Fees for the additional tables, as calculated according to the form in subsection (a)(1), above.

(b) The Commission shall not grant the application if a review by the Division discloses any of the following:

(1) The requested temporary increase in the number of tables would exceed the number of tables allowed to be operated by the local jurisdiction for either the

particular cardroom or the jurisdiction where the gambling establishment is located.

(2) The requested temporary increase in the number of tables has been denied by the local jurisdiction where the gambling establishment is located.

(3) The gambling establishment's state gambling license is suspended or contains conditions precluding the approval of a temporary increase in the number of tables.

(4) The gambling establishment has outstanding fees, deposits, fines, or penalties owing to the Commission or to the Division.

(c) The Commission may deny the application if the application as submitted was untimely or incomplete.

(d) A request by an applicant to withdraw the application shall result in the application being considered abandoned, and the fees for the additional tables and unused deposit amounts returned, with no further action to be taken by the Commission.

(e) The Commission may delegate the authority to deny the requested temporary increase or to issue a license certificate approving the requested temporary increase in the number of tables to any employee of the Commission. Commission staff shall commence the initial review and shall forward the application to the Division for review within 7 days of receipt of the application. The Division shall complete its review and return its findings to the Commission within 25 days of receipt of the application from the Commission. Commission staff shall then complete the review within 13 days of receiving the Division's findings and notify the applicant.

**Authority:** Sections 19811, 19823, 19824, 19840, 19841(a)-(c) and (p), 19864 and 19952, Business and Professions Code.

**Reference:** Section 19951, Business and Professions Code.

### **Section 12359. Request for Additional Permanent Tables**

(a) The owner licensee of a gambling establishment may apply to operate additional tables on a permanent basis by submitting the following to the Executive Director:

(1) A completed and signed application form entitled "Application for Additional Authorized Permanent Tables" CGCC-027 (New 07-06), which is attached in Appendix A to this Chapter.

(2) A non-refundable application fee of \$500, made payable to the California Gambling Control Commission, plus a Division review deposit made payable to the Division of Gambling Control, pursuant to California Code of Regulations, title 11, section 2037.

(b) The Commission shall not grant the application if any of the following are disclosed by the application or the results of the investigation of the applicant by the Division:

(1) The requested increase in the number of tables would exceed the number of tables allowed to be operated by the local jurisdiction for either the particular cardroom or the jurisdiction in which the gambling establishment is located.

(2) The requested increase in the number of tables has been denied by the local jurisdiction in which the gambling establishment is located.

(3) The gambling establishment's state gambling license is suspended or is subject to conditions precluding the approval of an increase in the number of tables.

(4) The gambling establishment has outstanding fees, deposits, fines, or penalties owing to the Commission or to the Division.

(c) A request by an applicant to withdraw the application shall result in the application being considered abandoned and unused deposit amounts returned, with no further action to be taken by the Commission.

(d) Commission staff shall commence the initial review and shall forward the application to the Division for investigation within 7 days of receipt of the application. The Division shall complete its review and return its findings to the Commission within 25 days of receipt of the application from the Commission. Commission staff shall then complete the review and set the request on the Commission agenda within 90 days of receiving the Division's findings and advise the applicant of the agenda date and any required table fees due. If the request for additional permanent tables is approved, applicant must pay the required tables fee due before placing the additional tables in operation.

**Authority:** Sections 19811, 19823, 19824, 19840, 19841, 19864 and 19951, Business and Professions Code.

**Reference:** Sections 19951, Business and Professions Code.

## **Chapter 7. Conditions of Operation for Gambling Establishments**

### **Article 1. General Provisions**

#### **Section 12360. Chapter Definitions**

The definitions in Business and Professions Code section 19805 govern the construction of this chapter. As used in this chapter:

(a) "Licensee" means "owner licensee" as defined in Business and Professions Code section 19805, subdivision (y).

**Authority:** Section 19840, Business and Professions Code

**Reference:** Section 19805, Business and Professions Code

### **Article 2. Emergency Preparedness and Evacuation Plan**

#### **Section 12370. Emergency Preparedness and Evacuation Plan**

(a) As used in this section:

(1) "Critical Incident" means a crisis situation involving the threat of serious injury or death and includes not only natural disasters, but also human-caused events, such as terrorist acts.

(2) "Plan" means an emergency preparedness and evacuation plan.

(b) For the purpose of ensuring the physical safety of patrons, employees, and any other person while in the gambling establishment, each gambling establishment licensed for five or fewer tables shall promptly develop and implement a plan for the gambling establishment, which includes, but is not limited to, the following:

(1) Response plan for fire and other critical incidents.

(2) Location of a telephone available for placing a 911 emergency call.

(3) Procedure for securing or protecting the gambling establishment's cash or equivalent assets and records.

(4) Facility evacuation routes and procedures.

(5) A diagram of the establishment showing the exits.

(6) A description of how exits are marked.

(c) For the purpose of ensuring the physical safety of patrons, employees, and any other person while in the gambling establishment, each gambling establishment licensed for more than five tables shall promptly develop and implement a plan, which includes, but is

not limited to, the following:

- (1) Clear, written policies listing the job titles of the personnel who are responsible for making decisions, monitoring emergency response actions, and securing or protecting the gambling establishment's cash or equivalent assets and records;
- (2) Procedures addressing:
  - (A) Fires,
  - (B) Earthquakes, Floods and other Natural Disasters,
  - (C) Bomb Threats,
  - (D) Hazardous Spills or Toxic Exposure,
  - (E) Criminal Incidents,
  - (F) Other Critical Incidents, and
  - (G) Provisions for first aid and for obtaining emergency medical assistance for patrons, employees, and other persons while in the gambling establishment;
- (3) Specific instructions for stopping business activities;
- (4) Facility evacuation procedures, including a designated meeting site outside the facility, a process to account for employees after an evacuation, and a process to ensure that all patrons have been evacuated; and
- (5) Specific training and practice schedules.

(d) Each plan shall be consistent with state and local requirements. Beginning November 1, 2004, each licensee shall submit a copy of its current plan as part of its annual renewal application. Beginning January 1, 2005, as part of its annual renewal application, each licensee shall submit two copies of its current plan, and:

(1) If the responsible local authority provides reviews, the licensee shall send documentation of the areas reviewed by the responsible local authority and whether or not the responsible local authority approved those areas of the plan under the responsible local authority's jurisdiction, pursuant to Health and Safety Code section 13143.5, subdivision (f). Health and Safety Code section 13143.5, subdivision (f)(2) provides that any fee charged pursuant to the enforcement authority of subdivision (f) shall not exceed the estimated reasonable cost of providing the service for which the fee is charged. The Commission may send one copy of the plan to the Division to review those areas of the plan not under the responsible local authority's jurisdiction.

(2) If the responsible local authority does not provide reviews, the licensee shall send the plan to the State Fire Marshall, and shall send the Commission documentation of whether or not the State Fire Marshall has approved the plan's fire and panic safety provisions. The Commission shall send one copy of the plan to the Division to review either subsection (b)(3) or subsections (c)(1), (c)(2)(E) and (c)(3), depending on the number of tables for which the gambling establishment is licensed.

(e) Each licensee shall, at least annually, provide for the review of the requirements of the plan with employees, ensuring that each employee has a general understanding of the provisions of the plan applicable to his or her position and understands his or her specific duties under the plan and the appropriate exit or exits to be used, where applicable. This annual review shall be documented, including signatures by the employee and the licensee or key employee who provided the review, as part of the licensee's application for renewal. When a new employee begins work, a licensee or key employee shall review the requirements of the plan with the new employee, ensuring that each new

employee has a general understanding of the provisions of the plan applicable to his or her position and understands his or her specific duties under the plan and the appropriate exit or exits to be used, where applicable.

(f) If the Commission determines that the licensee's plan does not address the elements set forth in this regulation, then the Commission may issue a determination identifying the deficiencies and specifying a time certain within which those deficiencies shall be cured.

(g) Failure by a licensee to develop and implement a plan, or to cure a deficiency identified pursuant to subsection (f), constitutes an unsuitable method of operation and also may result in denial of an application for license renewal or in suspension or revocation of its existing license.

(h) In addition to any other remedy under this section, the Commission may assess a civil penalty of at least \$500 but no more than \$5000 for each violation of this section.

**Authority:** Sections 19811, 19824, 19840, Business and Professions Code

**Reference:** Sections 19801, 19823, 19841, 19860, 19920, 19924, Business and Professions Code

### *Article 3. [Reserved]*

### *Article 4. Accounting And Financial Reporting*

#### **Section 12400. Definitions.**

(a) Except as otherwise provided in subdivision (b), the definitions in Business and Professions Code section 19805 shall govern the construction of this chapter.

(b) As used in this chapter:

(1) "Authorized game" means a controlled game approved by the Division of Gambling Control.

(2) "Dealer's bank" means the total amount of moneys a dealer of the gambling establishment has on deposit with the gambling establishment for chip trays.

(3) "Drop" means the total amount of compensation collected from patrons of a gambling establishment to play in controlled games.

(4) "Fiscal year" means the annual period used by a licensee for financial reporting purposes.

(5) "Group I licensee" means a licensee with a reported gross revenue of \$10 million or more for the preceding fiscal year.

(6) "Group II licensee" means a licensee with a reported gross revenue of \$2 million or more but less than \$10 million for the preceding fiscal year.

(7) "Group III licensee" means a licensee with a reported gross revenue of less than \$2 million for the preceding fiscal year.

(8) "Jackpot" means a gaming activity appended to the play of an authorized game in a gambling establishment in which a prize is awarded based on predetermined criteria.

(9) "Jackpot administrative fee" means a fee to cover all expenses incurred by the licensee for administering a jackpot.

(10) "Licensee" means "owner licensee" as defined in Business and Professions Code section 19805(y).

(11) "Player's bank" means the total amount of moneys a patron of the gambling establishment has on deposit with the gambling establishment.

**Authority:** Sections 19811, 19824, 19840 and 19841, Business and Professions Code.

**Reference:** Sections 19805 and 19841, Business and Professions Code.

### **Section 12401. Accounting Records.**

Each licensee shall:

(a) Maintain accurate, complete, and legible records of all transactions pertaining to gross revenue as defined in Business and Professions Code Section 19805(p). Records must be maintained in sufficient detail to support the amount of revenue reported to the Commission in renewal applications.

(b) Maintain accounting records identifying the following:

(1) Revenues, expenses, assets, liabilities, and equity for the gambling establishment.

(2) Records of all player's banks, dealer's banks, credit transactions, returned checks, and drop for each table (either by shift or other accounting period).

(3) Records required by the licensee's written system of internal controls.

(4) Records of all jackpot moneys contributed by the gambling establishment, jackpot moneys collected from patrons, or both, and moneys withdrawn for either jackpot administrative fees or payment to patrons.

**Authority:** Sections 19811, 19824, 19840 and 19841, Business and Professions Code.

**Reference:** Section 19841, Business and Professions Code.

### **Section 12402. Chart of Accounts.**

Each licensee shall:

(a) Maintain a uniform chart of accounts and accounting classifications in order to ensure consistency, comparability, and effective disclosure of financial information. The chart of accounts shall provide the classifications necessary to prepare a complete set of financial statements including but not limited to a statement of financial position, a statement of operations, a statement of changes in equity, a statement of cash flows, or other statements appropriate for the licensee. If the licensee elects to submit to the Division and the Commission copies of its federal income tax return as provided in Section 12403, the chart of accounts shall contain classifications necessary to prepare the licensee's federal income tax return.

(b) Within 90 days of the effective date of these regulations, submit the chart of accounts to the Commission for approval. The Commission shall submit a copy of the chart of accounts to the Division for review and comment. The Division shall provide the Commission with comments, if any, within 15 days of the submission to the Division. If the Division does not respond within 15 days, it shall be deemed that the Division does not object to the chart of accounts or have comments. The Commission shall then have 30 days to approve, reject, request additional information, or approve with modification(s) the chart of accounts and advise the licensee.

(c) Not use a chart of accounts other than the approved chart of accounts, but may create subaccounts for some or all accounting classifications. The licensee may alter the account numbering system, provided that the licensee maintains and provides to the Commission a cross reference to the approved chart of accounts no later than 30 calendar days following the end of the fiscal year in which the change occurs.

(d) Keep a general ledger, which documents all accounting transactions completed and posted to accounts listed in the chart of accounts referred to in subsection (a) of this section. General accounting records shall be maintained on a double entry system of

accounting with recorded transactions supported by detailed subsidiary records, including but not limited to ledgers, invoices, purchase orders, and other source documents.

**Authority:** Sections 19811, 19824, 19840 and 19841, Business and Professions Code.

**Reference:** Section 19841, Business and Professions Code.

**Section 12403. Financial Statements and Reporting Requirements.**

(a) A licensee shall prepare financial statements covering all financial activities of the licensee's gambling operation for each fiscal year, in accordance with generally accepted accounting principles unless otherwise provided in this section. If the licensee (or a person or entity that has an interest, control, or common control with the licensee) owns or operates lodging, food, beverage, or any other non-gambling operation at the establishment, the financial statements must reflect the results of the gambling operation separately from those non-gambling operations.

(1) A Group I licensee shall engage an independent accountant licensed by the California Board of Accountancy to audit the licensee's annual financial statements in accordance with generally accepted auditing standards.

(2) A Group II licensee shall engage an independent accountant licensed by the California Board of Accountancy to review the licensee's annual financial statements in accordance with standards for accounting and review services or with currently applicable professional accounting standards. The Division or Commission may require the licensee, or the licensee may elect, to engage, an independent accountant licensed by the California Board of Accountancy to audit the annual financial statements in accordance with generally accepted auditing standards, if there are concerns about the licensee's operation or financial reporting, including but not limited to:

- (A) Inadequate internal control procedures;
- (B) Insufficient financial disclosure;
- (C) Material misstatement in financial reporting;
- (D) Inadequate maintenance of financial data; or
- (E) Irregularities noted during an investigation.

(3) A Group III licensee with a gross revenue of \$500,000 or more per year shall prepare financial statements including at a minimum a statement of financial position, a statement of income or statement of operations, and disclosure in the form of notes to the financial statements. If the licensee is unable to produce the financial statements, it shall engage an independent accountant licensed by the California Board of Accountancy to perform a compilation of the licensee's annual financial statements in accordance with standards for accounting and review services or with currently applicable professional accounting standards, including full disclosure in the form of notes to the financial statements. The Division or Commission may require the licensee, or the licensee may elect, to engage an independent accountant licensed by the California Board of Accountancy to compile or review the licensee's financial statements in accordance with standards for accounting and review services, or to audit the financial statements in accordance with generally accepted auditing standards, if there are concerns about the licensee's operation or financial reporting, including but not limited to:

- (A) Inadequate internal control procedures;
- (B) Insufficient financial disclosure;

- (C) Material misstatement in financial reporting;
  - (D) Inadequate maintenance of financial data; or
  - (E) Irregularities noted during an investigation.
- (4) (A) A Group III licensee with a gross revenue of less than \$500,000 per year shall prepare financial statements that include, at a minimum, a statement of financial position and a statement of income or statement of operations. If the licensee is unable to produce the financial statements, it shall do one of the following:
1. Engage an independent accountant licensed by the California Board of Accountancy to perform a compilation of the licensee's annual financial statements in accordance with standards for accounting and review services or with currently applicable professional accounting standards and management may elect not to provide footnote disclosures as would otherwise be required by generally accepted accounting principles.
  2. Submit to the Division and Commission no later than 120 calendar days following the end of the year covered by the federal income tax return, copies of the licensee's complete signed and duly filed federal income tax return for the tax year in lieu of the financial statements as otherwise required under this section.
- (B) The Division or Commission may require the licensee, or the licensee may elect, to engage an independent accountant licensed by the California Board of Accountancy to compile or review the licensee's financial statements in accordance with standards for accounting and review services, or to audit the financial statements in accordance with generally accepted auditing standards, if there are concerns about the licensee's operation or financial reporting, including but not limited to:
1. Inadequate internal control procedures;
  2. Insufficient financial disclosure;
  3. Material misstatement in financial reporting;
  4. Inadequate maintenance of financial data; or
  5. Irregularities noted during an investigation.
- (b) Unless otherwise provided in this section, a licensee shall submit copies of the annual financial statements, with the independent auditor's or accountant's report issued to meet the requirements under this section, to the Division and Commission no later than 120 calendar days following the end of the fiscal year covered by the financial statements. If a management letter is issued, a copy of the management letter must also be submitted to the Division and Commission, including the licensee's reply to the management letter, if any.
- (c) The Division or Commission may request additional information and documents from either the licensee or the licensee's independent accountant, regarding the annual financial statements or the services performed by the accountant.
- (d) The Division or Commission may require the licensee to engage an independent accountant licensed by the California Board of Accountancy to perform a fraud audit in the event that fraud or illegal acts are suspected.

**Authority:** Sections 19811, 19824, 19840 and 19841, Business and Professions Code.

**Reference:** Section 19841, Business and Professions Code.

**Section 12404. Records and Reports of Monetary Instrument Transactions.**

(a) A gambling establishment, as defined in section 19805(m) of the Business and Professions Code, is required to file a report of each transaction involving currency in excess of \$10,000, in accordance with section 14162(b) of the Penal Code.

(b) A gambling establishment shall comply with sections 5313 and 5314 of Title 31 of the United States Code and with sections 103.21, 103.22, 103.23, 103.63, and 103.64 of Title 31 of the Code of Federal Regulations, and any successor provisions.

(c) A gambling establishment, regardless of gross revenue, shall make and keep on file at the gambling establishment a report of each transaction in currency in excess of \$10,000. These reports shall be available for inspection at any time as requested by the Division or the Commission. These reports shall include, but not be limited to:

- (1) Patron's name
- (2) Patron's address
- (3) Patron's identification
- (4) Amount of transaction
- (5) Type of transaction
- (6) Date of transaction.

(d) Nothing in this section shall be deemed to waive or to suspend the requirement that a gambling establishment make and keep a record and file a report of any transaction otherwise required by the Division or the Commission.

**Authority:** Sections 19811, 19824, 19840 and 19841, Business and Professions Code.

**Reference:** Section 19841, Business and Professions Code.

**Section 12405. Record Retention and Disclosure.**

All records required to be maintained by the Gambling Control Act or by these regulations shall be retained by the licensee within California for at least seven years after such records are made. Upon request of the Division or Commission, a licensee shall provide the Division or Commission with copies of such records, within the time period specified in the request. If the records are maintained in electronic form and the licensee is requested to do so, the licensee shall provide a printed copy pursuant to this section.

**Authority:** Sections 19811, 19824, 19840 and 19841, Business and Professions Code.

**Reference:** Section 19841, Business and Professions Code.

**Section 12406. Language.**

A licensee shall make and maintain all books, accounts, and other financial records in English.

**Authority:** Sections 19811, 19824, 19840 and 19841, Business and Professions Code.

**Reference:** Section 19841, Business and Professions Code.

**Article 5. [Reserved]****Article 6. Program for Responsible Gambling****Section 12460. Article Definitions**

For purposes of this Article:

(a) "Self-Exclusion" means an irrevocable voluntary agreement to be excluded from gambling establishments and all games or gaming activities or privileges and to be

prohibited from collecting any winnings or recovering any losses for a specified term. A Self-Exclusion list shall be maintained by the Division and shall not be open to public inspection.

- (b) "Self-Restriction" means an irrevocable voluntary agreement for a specified term to:
- (1) Completely exclude from a particular gambling establishment and all games or gaming activities or privileges and to be prohibited from collecting any winnings or recovering any losses,
  - (2) Exclude from the play of a particular game or gaming activity, if the gambling establishment determines that such segregation of games is feasible,
  - (3) Restrict the amount of credit and/or check cashing that may occur at that particular gambling establishment, and/or
  - (4) Exclude from any marketing or promotional activities of the particular gambling establishment.

**Authority:** Sections 19811, 19840, 19841(o), and 19920, Business and Professions Code

**Reference:** Section 19845, Business and Professions Code

### **Section 12461. Posting Referral Information**

(a) Each licensee, by July 1, 2007, shall post or provide, at patron gambling entrances or exits, and in conspicuous places in or near gambling areas and any areas where cash or credit are available to patrons, accessible written materials concerning the nature and symptoms of problem gambling and the toll-free telephone number approved by the Office of Problem Gambling (or its successors) that provides information and referral services for problem gamblers, currently "1-800-GAMBLER".

(b) If the licensee operates a web site for the gambling establishment, by July 1, 2007, that web site shall contain a responsible gambling message and a link to the Office of Problem Gambling (or its successors) that provides information and referral services for problem gamblers, currently "<http://www.problemgambling.ca.gov>".

(c) If the licensee produces any advertising material, by July 1, 2007, such material shall contain a responsible gambling message and shall refer to the telephone number listed in subsection (a) above and/or the link to the web site listed in subsection (b) above.

**Authority:** Sections 19811, 19840, 19841(o), and 19920, Business and Professions Code.

**Reference:** Sections 19801 and 19920, Business and Professions Code. Sections 4369.2 and 4369.4, Welfare and Institutions Code.

### **Section 12462. Training Requirements**

(a) Each licensee shall implement, by July 1, 2007, procedures to conduct new employee orientations and annual training for all employees, excluding food and beverage servers, who directly interact with gambling patrons in gambling areas.

(b) New employee orientations and annual training shall be documented, including signatures by the employee and the licensee or key employee who coordinated the training, the date and length of the training, and the name of the trainer, as part of the licensee's application for renewal. Copies of this documentation shall be kept in an employee's personnel file for a minimum of five years.

(c) The training shall, at a minimum, consist of information concerning the nature and symptoms of problem gambling behavior, assisting patrons in obtaining information about problem gambling programs, and information on the self-restriction and self-

exclusion programs.

(d) Each licensee shall designate personnel responsible for maintaining the program and addressing the types and frequency of such training and procedures.

(e) This section shall not be construed to require employees to identify problem gamblers.

**Authority:** Sections 19811, 19840, 19841(o), and 19920, Business and Professions Code.

**Reference:** Sections 19801 and 19920, Business and Professions Code. Sections 4369.2 and 4369.4, Welfare and Institutions Code.

### **Section 12463. Self-Restriction Program**

(a) Licensees shall implement, by July 1, 2007, a program that allows patrons to self-limit their access to the gambling establishment entirely, or to the issuance of credit, check cashing, or marketing by that licensee. Such program shall contain, at a minimum, the following:

(1) The development of written materials for dissemination to patrons explaining the program;

(2) The development of written forms allowing patrons to participate in the program, which may include use of a form entitled "Self-Restriction Form" CGCC-036 (New 09-06), attached in Appendix A to this Chapter;

(3) Policies and procedures for maintaining and updating a list of self-restricted persons, wherein the confidentiality of the list is protected pursuant to regulation 12466 and only agents or employees have access, unless needed by Division staff or law enforcement pursuant to an investigation or in assisting in a Problem Gambling program by an entity approved by the Commission;

(4) Policies and procedures that allow a patron to be excluded from certain games or gaming activities within the gambling establishment, if the gambling establishment determines that such segregation of games is feasible, or from the gambling establishment completely during the term of exclusion, with the exception of access for the sole purpose of carrying out the duties of employment, including:

(A) Removal procedures for patrons who attempt entry after requesting to be excluded,

(B) Notification to the Division of any incidents of removals where the police and/or security are called to remove a person from the premises, and

(C) Forfeiture of any money or prizes won or any losses recovered by an excluded person and the remittance of such for deposit into the Gambling Addiction Program Fund for problem gambling prevention and treatment services through the Department of Alcohol and Drug Programs, Office of Problem and Pathological Gambling;

(5) Policies and procedures that allow a patron to be excluded from access to check cashing or the issuance of credit during the term of restriction;

(6) Policies and procedures that allow a patron to be excluded from customer lists maintained by the licensee for direct mail marketing, telephone marketing, and other direct marketing regarding gaming opportunities or promotions at the gambling establishment during the term of restriction;

(7) Policies and procedures for removal of a patron from check-cashing, credit, or marketing opportunities by the gambling establishment.

(b) This section does not mandate that a gambling establishment provide the services of a notary public for persons who wish to complete the Self-Restriction form.

**Authority:** Sections 19811, 19840, 19841(o), and 19920, Business and Professions Code.

**Reference:** Sections 19801, 19920, and 19954, Business and Professions Code. Section 4369.4, Welfare and Institutions Code.

**Section 12464. Self-Exclusion Program.**

(a) Licensees shall implement, by July 1, 2007, a program that allows patrons to self-exclude themselves from gambling establishments using a form entitled “Self-Exclusion Form” CGCC-037 (New 09-06), attached in Appendix A to this Chapter. Such program shall contain, at a minimum, the following:

(1) Policies and procedures for providing Self-Exclusion forms and for sending any completed Self-Exclusion forms to the Division;

(2) Policies and procedures for maintaining and updating a list of self-excluded persons, wherein the confidentiality of the list is protected pursuant to regulation 12466 and only agents or employees have access, unless needed by Division staff or law enforcement pursuant to an investigation or in assisting in a Problem Gambling program by an entity approved by the Commission;

(3) Policies and procedures designed to thwart self-excluded patrons, as noticed by the Commission or Division, from entering the gambling area during the term of exclusion, with the exception of access for the sole purpose of carrying out the duties of employment, including removal procedures for patrons who attempt entry after requesting to be excluded and notification to the Division of any incidents of removals, where the police and/or security are called to remove a person from the premises;

(4) Policies and procedures for the forfeiture of any money or prizes won or any losses recovered by an excluded person and the remittance of such for deposit into the Gambling Addiction Program Fund for problem gambling prevention and treatment services through the Department of Alcohol and Drug Programs, Office of Problem and Pathological Gambling;

(5) Policies and procedures for removal of a patron from customer lists maintained by the licensee for direct mail marketing, telephone marketing, and other direct marketing regarding gaming opportunities or promotions at the gambling establishment;

(6) Policies and procedures for removal of a patron from check-cashing, credit, or marketing opportunities by the gambling establishment.

(b) This section does not mandate that a gambling establishment provide the services of a notary public for persons who wish to complete the Self-Exclusion form.

**Authority:** Sections 19811, 19840, 19841(o), and 19920, Business and Professions Code.

**Reference:** Sections 19801, 19920, and 19954, Business and Professions Code. Section 4369.4, Welfare and Institutions Code.

### **Section 12466. Responsible Gambling Program Review**

(a) The Executive Director or Division staff may require that any licensee make available for review or submit any of the elements of its program described in this Article, to the Executive Director or Division staff for review. If the Commission makes an administrative determination that the licensee's program does not adequately address the standards as set forth in this Article, then the Executive Director may issue such a determination identifying the deficiencies and specifying a time certain within which those deficiencies shall be cured. Judicial review of the Executive Director's decision is subject to the limitation of Business and Professions Code Section 19804.

(b) Failure by a licensee to establish the programs set forth in this Article, or to cure a deficiency identified pursuant to subsection (a), constitutes an unsuitable method of operation and is in violation of this section.

(c) Protecting the confidentiality of self-restriction or self-exclusion lists includes:

(1) Not willfully disseminating self-excluded or self-restricted patrons' names, photos, or other personally identifying information to third parties or confirming to third parties whether or not a patron is on a self-exclusion or self-restriction list.

(2) Not posting self-excluded or self-restricted patron photos or other personally identifying information in areas where other patrons would readily notice the information.

(d) In addition to any other remedy under the Gambling Control Act, the Commission may assess a monetary penalty not exceeding \$1,000 for each violation of this Article.

(e) This Article does not create any right or cause of action on behalf of an individual who participates in self-restriction or self-exclusion under this Article against the state of California, the California Gambling Control Commission, the Division of Gambling Control, the Office of Problem Gambling, or any gambling establishment.

**Authority:** Sections 19811, 19840, 19841(o), and 19920, Business and Professions Code.

**Reference:** Sections 19801 and 19920, Business and Professions Code. Section 4369.4, Welfare and Institutions Code.

## **Chapter 8. [Reserved]**

## **Chapter 9. [Reserved]**

## **Chapter 10. Discipline, Hearings, and Decisions**

### **Section 12550. Purpose and Scope**

(a) The purpose of this chapter is to set forth disciplinary procedures and guidelines applicable to the holder of any license, registration, permit, finding of suitability, or approval issued by the Commission. This chapter does not apply to any denial proceedings under the Gambling Control Act.

(b) The disciplinary guidelines in this chapter are designed to promote fairness and flexibility in dealing with a wide range of disciplinary scenarios. Variation in penalties based on circumstances and factors in aggravation or mitigation are part of this disciplinary scheme to promote compliance with applicable laws and regulations.

(c) Nothing in this chapter is intended to limit the authority of the Commission to issue orders of summary suspension pursuant to Business and Professions Code section 19913,

or to limit the authority of the Division to issue emergency orders pursuant to Business and Professions Code section 19931.

- (d) Nothing in this chapter shall be construed to prevent the Commission from:
- (1) Ordering an investigation by Commission staff on a matter brought before the Commission;
  - (2) Instituting a civil action in any superior court to restrain a violation of the Gambling Control Act, pursuant to Business and Professions Code section 19824, subdivision (g);
  - (3) Referring a matter to the Attorney General or any district attorney or city attorney for civil, criminal or administrative action; or
  - (4) Requesting the Division of Gambling Control to conduct an investigation pursuant to information gathered independently by the Commission or supplied to it by a third party.
- (e) Nothing in this chapter precludes any person from notifying the Commission or the Division regarding any violations of law or reasons why the holder of any license, registration, permit, finding of suitability, or approval should be disciplined.
- (f) Nothing in this chapter precludes the Division, in its discretion, from issuing warning notices, notices to cure, advisory letters regarding violations or possible violations of law, or from withdrawing such upon further investigation.

**Authority:** Sections 19840, 19841, and 19930 of the Business and Professions Code.

**Reference:** Sections 19823, 19912, 19913, 19914, 19920, 19922, 19930, 19931, and 19984 of the Business and Professions Code.

### **Section 12552. Settlements**

- (a) At any time, the Commission and respondent may enter into a settlement of the accusation as provided in this section.
- (b) Any settlement of an accusation shall include a plan for immediate abatement of the violation, a plan for immediate compliance with all statutory and regulatory requirements, an agreement to any penalty imposed, and shall be a full and final settlement of the violation including a complete waiver of all judicial or other review unless otherwise agreed to by the Commission.
- (c) Any settlement of an accusation shall be submitted by the Division for approval by the Commission at a noticed Commission meeting. The Commission shall have final approval authority concerning any such settlement. If the Commission rejects a settlement or agreement, and no amended agreement or settlement is reached before two additional regularly noticed Commission meetings have concluded, or sixty days have elapsed, whichever is later, the Division shall proceed with the formal hearing process under this Chapter.

**Authority:** Sections 19840, 19841, and 19930 of the Business and Professions Code.

**Reference:** Sections 19824, 19826, 19920, and 19930 of the Business and Professions Code.

### **Section 12554. Formal Hearing Process**

- (a) Upon the filing with the Commission of an accusation by the Division recommending revocation, suspension, or other discipline of a holder of a license, registration, permit, finding of suitability, or approval, the Commission shall proceed under Chapter 5 (commencing with Section 11500) of Part 1 of Division 3 of Title 2 of

the Government Code. Discipline shall be in accordance with the guidelines of this chapter, summarized for convenience only in CGCC-12554 (New 09-06), Summary Chart of Disciplinary Guidelines, attached as Appendix A to this chapter.

(b) In the event that the Division cannot present the accusation, the Commission may request outside counsel or representation by another state agency or may adequately segregate one or more Commission staff members from the Commissioners and Commission legal unit to present the accusation.

(c) The Administrative Law Judge and Commission shall base their decisions on written findings of fact, including findings concerning any relevant aggravating or mitigating factors. Findings of fact shall be based upon a preponderance of the evidence standard. The “preponderance of the evidence standard” is such evidence as when considered and compared with that opposed to it, has more convincing force, and produces a belief in the mind of the fact-finder that what is sought to be proved is more likely true than not true.

(d) Upon a finding of a violation of the Gambling Control Act, any regulations adopted pursuant thereto, any law related to gambling or gambling establishments, violation of a previously imposed disciplinary or license condition, or laws whose violation is materially related to suitability for a license, registration, permit, or approval, the Commission may do any one or more of the following:

- (1) Revoke the license, registration, permit, finding of suitability, or approval;
- (2) Suspend the license, registration, or permit;
- (3) Order the licensing authority of a city, county, or city and county to revoke a work permit, pursuant to Business and Professions Code section 19914, subdivision (a),
- (4) Impose any condition, limitation, order, or directive (including but not limited to a directive to divest an interest in a business entity pursuant to Business and Professions Code, section 19879);
- (5) Impose any fine or monetary penalty consistent with Business and Professions Code sections 19930, subdivision (c), and 19943, subdivision (b);
- (6) Stay, in whole or in part, the imposition of a revocation or suspension against the holder of a license, registration, work permit, finding of suitability, or approval, or
- (7) Order the holder to pay a monetary penalty in lieu of all or a portion of a suspension. Within the guidelines of Business and Professions Code sections 19930, subdivision (c), and 19943, subdivision (b):
  - (A) If the respondent is an owner licensee of a gambling establishment, the monetary penalty shall be equivalent of fifty percent of the average daily gross gaming revenue, but not less than \$300, for the number of days for which the suspension is stayed.
  - (B) **[RESERVED]**
  - (C) If the respondent is an owner of a third-party provider of proposition player services and the violation did not involve a fraudulent, expired, borrowed, or stolen badge, and did not involve a non-registered or non-licensed employee of the owner, the monetary penalty shall be the sum of \$500 plus the total of \$100 multiplied by the maximum number of tables for which proposition player services have been contracted at the gambling establishment where the violation was charged, which sum shall be multiplied by the number of days for which the suspension is stayed.
  - (D) If the respondent is an owner of a third-party provider of proposition player services and the violation involved a fraudulent, expired, borrowed,

or stolen badge, or involved a non-registered or non-licensed employee of the owner, the monetary penalty shall be the sum of \$500 plus the total of \$300 multiplied by the maximum number of tables for which proposition player services have been contracted at the gambling establishment where the violation was charged, which sum shall be multiplied by the number of days for which the suspension is stayed.

(E) If the respondent is an owner of a gambling business, the monetary penalty shall be \$1500 per day for the number of days for which the suspension is stayed.

(F) If the respondent is a key employee of a gambling establishment or a supervisor of a gambling business or third-party provider of proposition player services, the monetary penalty shall be \$100 per day for the number of days for which the suspension is stayed.

(G) If the respondent is a holder of a work permit, a player or other employee of a gambling business or third-party provider of proposition player services, or a person not otherwise described above, the monetary penalty shall be \$50 per day for the number of days for which the suspension is stayed.

(e) If a person's state gambling license for a gambling establishment is revoked by the Commission pursuant to this chapter, the Commission may stay such revocation for a reasonable period of time to allow such person to sell or divest himself or herself of such person's ownership interest in the gambling establishment, provided that after the date on which the revocation is stayed by the Commission, such person shall not be entitled to, realize, or receive any profits, distributions, or payments that might directly or indirectly be due to such person or which arise out of, are attributable to, or are derived from controlled gambling.

(f) If an owner of a third-party provider of proposition player services or gambling business has his or her owner's license or registration revoked by the Commission pursuant to this chapter, the Commission may stay such revocation for a reasonable period of time to allow such person to sell or divest himself or herself of such person's ownership interest in the third-party provider of proposition player services or gambling business, provided that after the date on which the revocation is stayed by the Commission, such person shall not be entitled to, realize, or receive any profits, distributions, or payments that might directly or indirectly be due to such person or which arise out of, are attributable to, or are derived from the provision of proposition player services.

(g) For decisions concerning a gambling establishment, findings shall be made regarding the number of tables in operation at the establishment and the annual gross gaming revenue of the establishment.

(h) For decisions concerning an owner of a third-party provider of proposition player services, findings shall be made regarding the maximum number of tables for which proposition player services have been contracted at the gambling establishment where the violation was charged.

(i) Any order to pay the costs of investigation or prosecution of the case shall be fixed pursuant to Business and Professions Code section 19930, subdivision (d).

(j) For multiple violations, or for suspensions imposed by other jurisdictions based on the same violations, the decision shall state whether any Commission-imposed suspensions shall run consecutively or concurrently.

(k) Where a violation arises from a practice that is repeated many times an hour or day

in the conduct of controlled games, each instance of the practice shall not be charged as a separate violation; however, the frequency and duration of the practice shall be treated as aggravating or mitigating factors.

**Authority:** Sections 19824, 19825, 19840, 19841, and 19930 of the Business and Professions Code.

**Reference:** Sections 19879, 19930, and 19984 of the Business and Professions Code, Section 11045 of the Government Code, and Section 10335 of the Public Contract Code.

**Section 12556. Factors in Mitigation or Aggravation of Penalty Factors in mitigation may reduce a minimum penalty of suspension listed in this chapter, either in number of days suspended and/or in the proposal to stay a suspension for a period of probation and the payment of any monetary penalty. Factors in aggravation may increase a penalty or be taken into consideration in determining whether or not to allow a suspension to be stayed upon payment of a monetary penalty. If presented by complainant or respondent, the Commission shall consider the following factors in mitigation or aggravation of the penalty imposed:**

- (a) Violation of any previously imposed or agreed upon condition, restriction or directive.
- (b) Whether or not the conduct was knowing, willful, reckless, or inadvertent.
- (c) The extent to which respondent cooperated with the Division or Commission during the investigation of the violation.
- (d) The extent to which respondent was honest with the Division or Commission during the investigation of the violation.
- (e) The extent to which respondent is willing to reimburse or otherwise make whole any person who has suffered a loss due to the violation.
- (f) Whether respondent has initiated remedial measures to prevent similar violations.
- (g) The extent to which respondent realized an economic gain from the violation.
- (h) Disciplinary history of respondent, repeated offenses of the same or similar nature, or evidence that the unlawful act was part of a pattern or practice, including the frequency or duration of any pattern or practice, which violates applicable law.
- (i) Any other aggravating factors, including any factors which the Commission determines to bear on the health, safety, or welfare of the public.
- (j) The extent to which there was actual or potential harm to the public or to any patron.
- (k) The extent to which an owner licensee or key employee of a gambling establishment, owner or supervisor of a third-party provider of proposition player services, or owner or supervisor of a gambling business exercised due diligence in management or supervision.
- (l) If the violation was caused by an employee of a third-party provider of proposition player services or gambling business, the extent to which the owner licensee, licensee, or registrant knew or should have known of the employee's improper conduct; the level of authority of the employee involved and the extent to which the employee acted within the scope of his or her authority in committing the violation.
- (m) If the violation was caused by a third-party provider of proposition player services or gambling business, the extent to which the owner licensee or gambling establishment knew or should have known of the improper conduct.
- (n) If the violation was caused by an independent contractor of a gambling business, the extent to which the gambling business owner licensee, licensee, or registrant knew or should have known of the independent contractor's improper conduct; the level of authority of the independent contractor involved and the extent to which the independent

contractor acted within the scope of his or her authority in committing the violation.

(o) If the violation was caused or committed by a third party, the extent to which the owner licensee, licensee, or registrant knew or should have known of the third party's improper conduct.

(p) Any relevant evidence offered by respondent in mitigation of the violation.

**Authority:** Sections 19825, 19840, and 19930 of the Business and Professions Code.

**Reference:** Sections 19825, 19920, 19930, and 19984 of the Business and Professions Code.

**Section 12558. Disciplinary Guidelines for Holders of Work Permits Pursuant to Business and Professions Code, section 19914, the holder of a work permit shall be subject to a minimum penalty of a three-day suspension, which may be stayed on terms and conditions and any monetary penalty as described in section 12554(d)(7) of this chapter, up to a maximum penalty of revocation by the Commission if the Commission finds that the holder:**

(a) Engaged in or committed a prohibited act specified in Business and Professions Code 19914, subdivision (a).

(b) Does not currently meet any criterion for eligibility or qualification.

(c) Violated or is in violation of any condition, limitation or directive previously imposed on the work permit.

(d) Violated or is in violation of any Commission or Division regulations, including those regulations regarding work permits in the California Code of Regulations, title 4, division 18, chapter 2 (commencing with section 12100).

**Authority:** Sections 19825, 19840, 19841, and 19930 of the Business and Professions Code.

**Reference:** Section 19824, 19878 19912, 19914, 19920, and 19930 of the Business and Professions Code.

**Section 12560. Disciplinary Guidelines for Third-party providers of proposition player services licensees or registrants**

(a) If the Commission finds that an owner of a third-party provider of proposition player services, as that term is used in California Code of Regulations, title 4, section 12200, is out of compliance with any mandatory duty specified in or imposed by the Gambling Control Act or any Commission or Division regulation, which is not otherwise listed in these disciplinary guidelines, the penalty shall be one day of suspension of proposition player services from either specified gambling establishments or all gambling establishments, as the circumstances and factors in mitigation or aggravation apply and which may be stayed on terms and conditions and any monetary penalty as described in section 12554(d)(7) of this chapter.

(b) A license or registration granted by the Commission for an owner of a third-party provider of proposition player services, as that term is used in California Code of Regulations, title 4, section 12200, shall be subject to a minimum discipline of suspension of five days from either specified gambling establishments or all gambling establishments, as the circumstances and factors in mitigation or aggravation apply, and a maximum discipline of revocation, which may be stayed on terms and conditions and any monetary penalty as described in section 12554 (d)(7) of this chapter, if the Commission finds that:

- (1) The owner has violated or is out of compliance with any conditions, limitations, orders, or directives imposed by the Commission, either as part of an initial grant of license or registration, renewal of such, or pursuant to disciplinary action,
- (2) The owner has been found, by any administrative tribunal or court, to have violated or be in violation of any law involving or relating to gambling,
- (3) The owner has intentionally misrepresented a material fact on an application or supplemental application for licensure or registration,
- (4) The owner has engaged in any dishonest, fraudulent, or deceptive activities in connection with controlled gambling or the provision of proposition player services,
- (5) The owner has violated any law or ordinance with respect to campaign finance disclosure or contribution limitations, pursuant to Business and Professions Code, section 19982,
- (6) The owner has violated California Code of Regulations, title 4, regarding annual fees for third party providers of proposition player services,
- (7) The owner has provided proposition player services in violation of California Code of Regulations, title 4, section 12200.7, subdivision (b)(9) or (b)(11),
- (8) The owner has failed to fully disclose financial arrangements in violation of California Code of Regulations, title 4, section 12200.7, subdivision (b)(15),
- (9) The primary owner has failed to report cheating, in violation of California Code of Regulations, title 4, section 12200.7, subdivision (b)(18),
- (10) The owner has purchased, leased, or controlled equipment in violation of California Code of Regulations, title 4, section 12200.7, subdivision (b)(21),
- (11) The owner has failed to have the proposition player contract approved, in violation of California Code of Regulations, title 4, section 12200.7, subdivision (b)(22), or section 12200.9,
- (12) The owner has authorized or provided payment to or receipt by the gambling establishment, in violation of California Code of Regulations, title 4, section 12200.7, subdivision (c),
- (13) The owner has been cheating, or has induced or instructed another to cheat, pursuant to Penal Code, sections 337t, 337u, 337v, 337w, or 337y,
- (14) The owner has committed extortion (as that term is defined in Chapter 7 of Title 13 of Part 1 of the Penal Code, commencing with section 518),
- (15) The owner has committed loan-sharking (as that term is used in Civil Code section 1916-3, subdivision (b)),
- (16) The owner has conducted or negotiated illegal sales of controlled substances (as that term is used in Chapter 1 (commencing with Section 11000) of Division 10 of the Health and Safety Code) or dangerous drugs (as that term is used in Business and Professions Code, section 4022),
- (17) The owner has committed bribery (as that term is used in Penal Code section 67 or 67.5),
- (18) The owner has committed money laundering (as that term is used in Chapter 10 of Title 7 of Part 1 of the Penal Code, commencing with Section 186.9),
- (19) The owner has granted rebates to patrons without full disclosure, in violation of California Code of Regulations, title 4, section 12200.7, subdivision (c) (19),

(20) The owner has violated the provisions regarding playing books listed in California Code of Regulations, title 4, section 12200.13,

(21) The owner has committed any of the acts listed in California Code of Regulations, title 4, section 12200.18, subdivisions (a), (b), (d), (e), (f), (i), (j), (l), (m), or (n), or

(22) The owner is providing services as a gambling business without first obtaining a gambling business registration or license, in violation of California Code of Regulations, title 4, section 12220 et seq.

(c) A supervisor, player, or other employee, as those terms are used in California Code of Regulations, title 4, section 12200, shall be subject to a minimum monetary penalty of \$100 and/or a suspension of three days and a maximum penalty of revocation if the Commission finds that:

(1) The supervisor, player, or other employee has violated or is out of compliance with conditions, limitations, or orders or directives imposed by the Commission, either as part of an initial grant of license or registration, renewal of such, or pursuant to disciplinary action,

(2) The supervisor, player, or other employee has engaged in any dishonest, fraudulent, or deceptive activities in connection with controlled gambling or the provision of proposition player services,

(3) The supervisor, player, or other employee has committed any act punishable as a crime, not otherwise listed in these disciplinary guidelines, which substantially relates to the duties and qualifications of the licensee or registrant, or which occurred in a gambling establishment or the associated adjacent property, or

(4) The supervisor, player, or other employee has engaged in any conduct on the premises of the gambling establishment or in connection with controlled gambling or the provision of proposition player services which is inimical to the health, welfare, or safety of the general public.

(5) The supervisor, player, or other employee has either failed to wear a badge, worn a badge which was covered, worn a false or altered badge or a badge issued for a different gambling establishment, worn another person's badge, or worn an expired badge,

(6) The supervisor, player, or other employee has engaged in fighting or has intentionally provoked a patron or employee at a gambling establishment,

(7) The supervisor, player, or other employee has maliciously or willfully destroyed or damaged the property of the gambling establishment, employee, or patron,

(8) The supervisor, player, or other employee has accepted tips, gratuities, complimentaries, or gifts from gambling establishment staff or patrons

(9) The supervisor, player, or other employee has committed any of the acts listed in California Code of Regulations, title 4, section 12220.18, subdivision (a), or

(10) The supervisor, player, or other employee has failed to comply with California Code of Regulations, title 4, section 12200.21.

(d) A supervisor, player, or other employee, as those terms are used in California Code of Regulations, title 4, section 12200, shall be subject to a minimum monetary penalty of \$300 and/or a suspension of five days and a maximum penalty of revocation if the Commission finds that:

(1) The supervisor, player, or other employee has intentionally misrepresented

a material fact on an application, request to convert, or supplemental application for licensure, registration, or approval,

(2) The supervisor, player, or other employee has been cheating, pursuant to Penal Code, section 337x,

(3) The supervisor, player, or other employee has committed extortion (as that term is defined in Chapter 7 of Title 13 of Part 1 of the Penal Code, commencing with section 518),

(4) The supervisor, player, or other employee has committed loan-sharking (as that term is used in Civil Code section 1916-3, subdivision (b)),

(5) The supervisor, player, or other employee has conducted or negotiated illegal sales of controlled substances (as that term is used in Chapter 1 (commencing with Section 11000) of Division 10 of the Health and Safety Code) or dangerous drugs (as that term is used in Business and Professions Code, section 4022),

(6) The supervisor, player, or other employee has committed bribery (as that term is used in Penal Code section 67 or 67.5),

(7) The supervisor, player, or other employee has committed money laundering (as that term is used in Chapter 10 of Title 7 of Part 1 of the Penal Code, commencing with Section 186.9),

(8) The supervisor, player, or other employee has granted rebates to patrons without full disclosure, in violation of California Code of Regulations, title 4, section 12200.7, subdivision (19), or

(9) The supervisor, player, or other employee has committed any of the acts listed in California Code of Regulations, title 4, section 12200.18 subdivisions (b), (c), (d), (f), (g), (h), (i), (j), or (k).

(e) A license or registration granted by the Commission for an owner of a third-party provider of proposition player services, or for a supervisor, player, or other employee, as those terms are used in California Code of Regulations, title 4, section 12200, shall be subject to revocation if the Commission finds that:

(1) The owner, supervisor, player, or other employee has been convicted of a felony or a crime of moral turpitude that would disqualify the holder from licensure, or

(2) The owner, supervisor, player, or other employee no longer meets any criterion for eligibility, pursuant to California Code of Regulations, title 4, sections 12204 or 12218.11.

**Authority:** Sections 19825, 19840, 19841, 19930, and 19984 of the Business and Professions Code.

**Reference:** Sections 19824 and 19930 of the Business and Professions Code.

### **Section 12562. Disciplinary Guidelines for Gambling business licensees or registrants**

(a) If the Commission finds that an owner of a gambling business, as that term is used in California Code of Regulations, title 4, section 12220, is out of compliance with any mandatory duty specified in or imposed by the Gambling Control Act or any Commission or Division regulation, which is not otherwise listed in these disciplinary guidelines, the penalty shall be one day of suspension of gambling business services from either specified gambling establishments or all gambling establishments, as the circumstances and factors in mitigation or aggravation apply and which may be stayed on terms and

conditions and any monetary penalty as described in section 12554(d)(7) of this chapter.

(b) A license or registration granted by the Commission for an owner of a gambling business, as that term is used in California Code of Regulations, title 4, section 12220, shall be subject to a minimum monetary penalty of \$2500 and/or a discipline of suspension of five days from either specified gambling establishments or all gambling establishments, as the circumstances and factors in mitigation or aggravation apply, and a maximum discipline of revocation by the Commission if the Commission finds that:

- (1) The owner has violated or is out of compliance with any conditions, limitations, orders, or directives imposed by the Commission, either as part of an initial grant of license or registration, renewal of such, or pursuant to disciplinary action,
- (2) The owner has been found, by any administrative tribunal or court, to have violated or be in violation of any law involving or relating to gambling,
- (3) The owner has intentionally misrepresented a material fact on an application or supplemental application for licensure or registration,
- (4) The owner has engaged in any dishonest, fraudulent, or deceptive activities in connection with controlled gambling or the provision of proposition player services as a gambling business,
- (5) The owner has violated any law or ordinance with respect to campaign finance disclosure or contribution limitations, pursuant to Business and Professions Code, section 19982,
- (6) The owner has violated California Code of Regulations, title 4, regarding annual fees for gambling businesses,
- (7) The owner has been cheating, or has induced or instructed another to cheat, pursuant to Penal Code, sections 337t, 337u, 337v, 337w, or 337y,
- (8) The owner has committed extortion (as that term is defined in Chapter 7 of Title 13 of Part 1 of the Penal Code, commencing with section 518),
- (9) The owner has committed loan-sharking (as that term is used in Civil Code section 1916-3, subdivision (b)),
- (10) The owner has conducted or negotiated illegal sales of controlled substances (as that term is used in Chapter 1 (commencing with Section 11000) of Division 10 of the Health and Safety Code) or dangerous drugs (as that term is used in Business and Professions Code, section 4022),
- (11) The owner has committed bribery (as that term is used in Penal Code section 67 or 67.5),
- (12) The owner has committed money laundering (as that term is used in Chapter 10 of Title 7 of Part 1 of the Penal Code, commencing with Section 186.9),
- (13) The owner is providing services as a gambling business without first obtaining a gambling business registration or license, in violation of California Code of Regulations, title 4, section 12220 et seq., or
- (14) The owner has committed any of the acts listed in California Code of Regulations, title 4, section 12220.18, subdivisions (a), (b), (d), (e), (f), (l), or (m).

(c) A supervisor, player, or other employee, as those terms are used in California Code of Regulations, title 4, section 12220, shall be subject to a minimum monetary penalty of \$100 and/or a suspension of three days and a maximum penalty of revocation if the Commission finds that:

- (1) The supervisor, player, or other employee has violated or is out of

compliance with conditions, limitations, or orders or directives imposed by the Commission, either as part of an initial grant of license or registration, renewal of such, or pursuant to disciplinary action,

(2) The supervisor, player, or other employee has engaged in any dishonest, fraudulent, or deceptive activities in connection with controlled gambling,

(3) The supervisor, player, or other employee has committed any act punishable as a crime, not otherwise listed in these disciplinary guidelines, which substantially relates to the duties and qualifications of the licensee or registrant, or which occurred in a gambling establishment or the associated adjacent property,

(4) The supervisor, player, or other employee has engaged in any conduct on the premises of the gambling establishment or in connection with controlled gambling which is inimical to the health, welfare, or safety of the general public.

(5) The supervisor, player, or other employee has either failed to wear a badge, worn a badge which was covered, worn a false or altered badge or a badge issued for a different gambling establishment, worn another person's badge, or worn an expired badge,

(6) The supervisor, player, or other employee has engaged in fighting or has intentionally provoked a patron or employee at a gambling establishment,

(7) The supervisor, player, or other employee has maliciously or willfully destroyed or damaged the property of the gambling establishment, employee, or patron,

(8) The supervisor, player, or other employee has accepted tips, gratuities, complimentarys, or gifts from gambling establishment staff or patrons,

(9) The supervisor, player, or other employee has committed any of the acts listed in California Code of Regulations, title 4, section 12220.18, subdivision (a), or

(10) The supervisor, player, or other employee has failed to comply with California Code of Regulations, title 4, section 12220.21.

(d) A supervisor, player, or other employee, as those terms are used in California Code of Regulations, title 4, section 12220, shall be subject to a minimum penalty of a monetary penalty of \$300 and/or a suspension of five days and a maximum penalty of revocation if the Commission finds that:

(1) The supervisor, player, or other employee has intentionally misrepresented a material fact on an application, request to convert, or supplemental application for licensure, registration, or approval,

(2) The supervisor, player, or other employee has been cheating, pursuant to Penal Code, section 337x,

(3) The supervisor, player, or other employee has committed extortion (as that term is defined in Chapter 7 of Title 13 of Part 1 of the Penal Code, commencing with section 518),

(4) The supervisor, player, or other employee has committed loan-sharking (as that term is used in Civil Code section 1916-3, subdivision (b)),

(5) The supervisor, player, or other employee has conducted or negotiated illegal sales of controlled substances (as that term is used in Chapter 1 (commencing with Section 11000) of Division 10 of the Health and Safety Code) or dangerous drugs (as that term is used in Business and Professions Code, section 4022),

(6) The supervisor, player, or other employee has committed bribery (as that

term is used in Penal Code section 67 or 67.5),

(7) The supervisor, player, or other employee has committed money laundering (as that term is used in Chapter 10 of Title 7 of Part 1 of the Penal Code, commencing with Section 186.9),

(8) The supervisor, player, or other employee has committed any of the acts listed in California Code of Regulations, title 4, section 12220.18 subdivisions (c), (d), (f), (g), (h), (i), (j), or (k).

(e) A license or registration granted by the Commission for an owner of a gambling business, or for a supervisor, player, or other employee, as those terms are used in California Code of Regulations, title 4, section 12220, shall be subject to revocation if the Commission finds that:

(1) The owner, supervisor, player, or other employee has been convicted of a felony or a crime of moral turpitude that would disqualify the holder from licensure, or

(2) The owner, supervisor, player, or other employee no longer meets any criterion for eligibility, pursuant to California Code of Regulations, title 4, sections 12224 or 12220.11.

**Authority:** Sections 19825, 19840, 19841, and 19930 of the Business and Professions Code.

**Reference:** Sections 19853(a)(3) and 19930 of the Business and Professions Code.

#### **Section 12564. Disciplinary Guidelines for Manufacturers or Distributors**

A registration granted by the Commission for a manufacturer or distributor of gambling equipment shall be subject to suspension or revocation by the Commission if the Commission finds that the registrant has violated California Code of Regulations, title 4, section 12303, subdivision (b).

**Authority:** Sections 19825, 19840, 19841, and 19930 of the Business and Professions Code.

**Reference:** Sections 19930 of the Business and Professions Code.

#### **Section 12566. Disciplinary Guidelines for Gambling Establishments**

(a) If the Commission finds that a gambling establishment is out of compliance with any mandatory duty specified in or imposed by the Gambling Control Act or any Commission or Division regulation, or any local ordinance which directly affects the public health, safety, or welfare, which is not otherwise listed in these disciplinary guidelines, pursuant to Business and Professions Code section 19922, the penalty shall be one day of suspension, stayed upon the payment of a penalty, within the guidelines of Business and Professions Code, sections 19930, subdivision (c), and 19943, subdivision (b), as follows:

(1) If the establishment has five tables or less and has an annual gross gaming revenue up to and including \$10,000, the penalty shall be between \$50 and \$100, based upon the factors in mitigation and aggravation.

(2) If the establishment has ten tables or less or has an annual gross gaming revenue over \$10,000, up to and including \$200,000, the penalty shall be between \$100 and \$2000, based upon the factors in mitigation and aggravation.

(3) If the establishment has an annual gross gaming revenue over \$200,000, the penalty shall be between \$250 and \$5,000, based upon the factors in mitigation

and aggravation.

(b) A state gambling license for a gambling establishment granted by the Commission shall be subject to a minimum discipline of suspension for one day of normal business operation and a maximum discipline of suspension for 30 days of normal business operation, which may be stayed on terms and conditions and upon a monetary penalty of twenty-five percent of the average daily gross gaming revenue, not more than \$10,000, but not less than \$300, if the Commission finds that the establishment has violated any of the following but has not been disciplined by the Commission for such a violation previously:

- (1) Been found, by any administrative tribunal or court in a separate proceeding, to have violated or be in violation of any law involving or relating to gambling, where the penalty imposed was a monetary fine or citation,
- (2) Failed to maintain adequate financing for chips in use or for player banks,
- (3) [RESERVED]
- (4) [RESERVED]
- (5) Violated Business and Professions Code, section 19878 (contract with, employment of, services provided by person(s) with denied, suspended, or revoked license or registration),
- (6) Violated Business and Professions Code, section 19912 (failure to have valid work permit),
- (7) [RESERVED]
- (8) Violated Business and Professions Code, section 19924 (failure to maintain security controls),
- (9) Violated any law or ordinance with respect to campaign finance disclosure or contribution limitations, pursuant to Business and Professions Code, section 19982,
- (10) Provided false or incomplete financial data, in violation of California Code of Regulations, title 4, chapter 7, article 4 (commencing with section 12400), regarding accounting and financial reporting,
- (11) Refused to allow Division or Commission inspection of records or information required to be maintained pursuant to California Code of Regulations, title 4, chapter 7, article 4 (commencing with section 12400), regarding accounting and financial reporting,
- (12) Violated California Code of Regulations, title 11, section 2050, subsection (a) (failure to maintain owner licensee or key employee on premises),
- (13) Violated California Code of Regulations, title 11, section 2052 (failure to furnish information), or
- (14) Violated California Code of Regulations, title 11, section 2070 (unsuitable gaming activities).

(c) A state gambling license for a gambling establishment granted by the Commission shall be subject to a minimum discipline of suspension for five days of normal business operation and a maximum discipline of revocation, which may be stayed on terms and conditions and any monetary penalty as described in section 12554(d)(7) of this chapter, if the Commission finds that the establishment has:

- (1) Violated or is out of compliance with conditions, limitations, or orders or directives imposed by the Commission, either as part of an initial grant of license or registration, renewal of such, or pursuant to disciplinary action,
- (2) Been found, by any administrative tribunal or court in a separate proceeding, to have violated or be in violation of any law involving or relating

to gambling, where the penalty imposed was the suspension or revocation of a license or privilege,

(3) Intentionally misrepresented a material fact on an application or supplemental application for licensure or registration,

(4) Failed to maintain adequate financing for chips in use or for player banks, and has been disciplined by the Commission for such a violation previously,

(5) Failed to report the operation of unregistered gambling businesses when the owners or management of the establishment knew or should have known that these gambling businesses were operating in the establishment, and has been disciplined by the Commission for such a violation previously,

(6) Concealed or persistently did not disclose ownership, interest, or key employee status, pursuant to Business and Professions Code, sections 19850, 19851, 19853, 19854, 19855, 19883, or 19901,

(7) Violated Business and Professions Code, section 19878 (contract with, employment of, services provided by person(s) with denied, suspended, or revoked license or registration), and has been disciplined by the Commission for such a violation previously,

(8) Violated Business and Professions Code, section 19912 (failure to have valid work permit), and has been disciplined by the Commission for such a violation previously,

(9) Violated Business and Professions Code, section 19921 (failure to exclude persons under 21 from access to gambling areas), and has been disciplined by the Commission for such a violation previously, or violated Business and Professions Code, section 19941 (failure to prohibit persons under 21 from gambling, loitering, being employed in gambling areas, or using fraudulent identification to gamble, loiter, or be employed), unless the licensee provides the defense described in Business and Professions Code, section 19941, subdivision (c), or unless the licensee shows that the licensee has reasonably relied on picture identification which appears to be government issued, including determining that the identification looks real, there are no obvious alterations, the photograph and description reasonably match the person, and the person reasonably looks age 21 or over.

(10) Violated Business and Professions Code, section 19924 (failure to maintain security controls), and has been disciplined by the Commission for such a violation previously,

(11) Violated Business and Professions Code, section 19942 (willful failure to report or pay license fee),

(12) Violated any law or ordinance with respect to campaign finance disclosure or contribution limitations, pursuant to Business and Professions Code, section 19982, and has been disciplined by the Commission for such a violation previously,

(13) Provided false or intentionally incomplete financial data, in violation of California Code of Regulations, title 4, chapter 7, article 4 (commencing with section 12400), regarding accounting and financial reporting, and has been disciplined by the Commission for such a violation previously,

(14) Refused to allow Division or Commission inspection of records or information required to be maintained pursuant to California Code of Regulations, title 4, chapter 7, article 4 (commencing with section 12400), regarding accounting and financial reporting, and has been disciplined by the

Commission for such a violation previously,

(15) Violated California Code of Regulations, title 11, section 2050, subsection (a) (failure to maintain owner licensee or key employee on premises), and has been disciplined by the Commission for such a violation previously,

(16) Violated California Code of Regulations, title 11, section 2052 (failure to furnish information), and has been disciplined by the Commission for such a violation previously, or

(17) Violated California Code of Regulations, title 11, section 2070 (unsuitable gaming activities), and has been disciplined by the Commission for such a violation previously.

**Authority:** Sections 19825, 19840, 19841, and 19930 of the Business and Professions Code.

**Reference:** Sections 19823, 19824, 19850, 19851, 19853, 19854, 19855, 19875, 19878, 19883, 19901, 19912, 19920, 19921, 19922, 19923, 19924, 19930, 19941, 19942, and 19982 of the Business and Professions Code. *Department of Alcoholic Beverage Control v. Alcoholic Beverage Control Appeals Board* (2004), 118 Cal. App. 4th 1429, 1444-1445.

### **Section 12568. Disciplinary Guidelines for Holders of Licenses, Findings of Suitability, or Approvals**

(a) A license for an individual or any finding of suitability or approval granted by the Commission, other than a work permit, and an owner license for a gambling establishment if the owner licensee has committed a separate violation from any violations committed by the gambling establishment shall be subject to a minimum discipline of suspension for one day of normal business operation and a maximum discipline of revocation, which may be stayed on terms and conditions and any monetary penalty as described in section 12554(d)(7) of this chapter, if the Commission finds that the holder has:

(1) Violated or is out of compliance with conditions, limitations, or orders or directives imposed by the Commission, either as part of an initial grant of license or registration, renewal of such, or pursuant to disciplinary action,

(2) Been found, by any administrative tribunal or court in a separate proceeding, to have violated or be in violation of any law involving or relating to gambling, where the penalty imposed was a monetary fine or citation,

(3) Been convicted in any jurisdiction of any offense involving or relating to gambling, where the penalty imposed was a monetary fine,

(4) Engaged in any dishonest, fraudulent, or deceptive activities in connection with controlled gambling,

(5) Committed any act punishable as a crime, not otherwise listed in these disciplinary guidelines, which substantially relates to the duties and qualifications of the licensee or registrant, or which occurred in a gambling establishment or the associated adjacent property, or

(6) Engaged in any conduct on the premises of the gambling establishment or in connection with controlled gambling which is inimical to the health, welfare, or safety of the general public.

(b) A license, finding of suitability, or approval granted by the Commission, other than a work permit, and an owner license for a gambling establishment if the owner licensee has committed a separate violation from any violations committed by the gambling

establishment shall be subject to a minimum discipline of suspension for five days of normal scheduled work and a maximum discipline of revocation, which may be stayed on terms and conditions and any monetary penalty as described in section 12554(d)(7) of this chapter, if the Commission finds that the holder has:

- (1) Intentionally misrepresented a material fact on an application or supplemental application for licensure or registration,
- (2) Intentionally provided untruthful responses during an investigation by the Division, pursuant to Business and Professions Code, section 19827,
- (3) Willfully interfered with the performance of Commission or Division duties, pursuant to Business and Professions Code, section 19944,
- (4) Committed an act prohibited by Chapter 9 (commencing with section 319) and Chapter 10 (commencing with section 330) of Title 9 of Part 1 of the Penal Code, including but not limited to operation of a banked or percentage game (Penal Code, section 330), possession or sale of a slot machine (Penal Code, section 330b) or agreement for slot machine payout (Penal Code, section 330.1), bookmaking (Penal Code, section 337), and cheating (Penal Code, section 337x),
- (5) Committed extortion (as that term is defined in Chapter 7 of Title 13 of Part 1 of the Penal Code, commencing with section 518),
- (6) Committed loan-sharking (as that term is used in Civil Code section 1916-3, subdivision (b)),
- (7) Conducted or negotiated illegal sales of controlled substances (as that term is used in Chapter 1 (commencing with Section 11000) of Division 10 of the Health and Safety Code) or dangerous drugs (as that term is used in Business and Professions Code, section 4022),
- (8) As an owner licensee, not taken reasonable steps to prevent the crimes listed in subsections (b)(5) through (b)(8) from occurring at the gambling establishment, when the owner licensee knew or should have known that these crimes were being committed,
- (9) Committed bribery (as that term is used in Penal Code section 67 or 67.5),
- (10) Committed money laundering (as that term is used in Chapter 10 of Title 7 of Part 1 of the Penal Code, commencing with Section 186.9),
- (11) Been convicted of a crime involving fiscal dishonesty, including but not limited to tax evasion (26 U.S.C. § 7201),
- (12) Been convicted in any jurisdiction of any offense involving or relating to gambling, where the penalty imposed was more than a monetary fine, or
- (13) Been found, by any administrative tribunal or court in a separate proceeding, to have violated or be in violation of any law involving or relating to gambling, where the penalty imposed was the suspension or revocation of a license or privilege,

(c) A state gambling license, finding of suitability, or approval granted by the Commission, other than a work permit, and an owner license for a gambling establishment if the owner licensee has committed a separate violation from any violations committed by the gambling establishment shall be subject to revocation by the Commission on any of the following grounds:

- (1) If the Commission finds the holder to have been convicted of a felony or a crime of moral turpitude that would disqualify the holder from licensure,
- (2) If the Commission finds the holder to have engaged in or committed a prohibited act specified in Business and Professions Code section 19863 (no

more than one gambling establishment at racetrack),

(3) If the Commission finds the holder no longer meets any criterion for eligibility, qualification, suitability or continued operation, including those set forth in Business and Professions code sections 19857, 19858, or 19880, as applicable, or

(4) If the Commission finds the holder currently meets any of the criteria for mandatory denial of an application set forth in Business and Professions Code sections 19859 or 19860.

**Authority:** Sections 19825, 19840, 19841, and 19930 of the Business and Professions Code.

**Reference:** Sections 19823, 19824, 19827, 19857, 19858, 19859, 19860, 19863, 19878, 19880, 19922, 19923, 19924, 19930, 19942, and 19944 of the Business and Professions Code.

### **Section 1 12572. Precedential Decisions.**

Pursuant to Government Code section 11425.60, the Commission, at a noticed Commission meeting, may:

(a) Designate all or part of any of the following as a precedential decision:

(1) An adopted final decision, or

(2) An adopted stipulated decision pursuant to a settlement agreement.

(b) Reverse in whole or in part the prior designation of a decision as a precedential decision.

**Authority:** Section 19840 of the Business and Professions Code.

**Reference:** Section 19930 of the Business and Professions Code, Section 11425.60 of the Government Code.

## **Chapter 11. Conflict of Interest Code**

### **Section 12590. Conflict of Interest Code**

The Political Reform Act (Government Code Sections 81000, *et seq.*) requires state and local government agencies to adopt and promulgate conflict of interest codes. The Fair Political Practices Commission (FPPC) has adopted a regulation (2 California Code of Regulations Section 18730) which contains the terms of a standard conflict of interest code, which can be incorporated by reference in an agency's code, and which may be amended by the FPPC, to conform to amendments in the Political Reform Act, after public notice and hearings. The terms of 2 California Code of Regulations Section 18730 and any amendments to it duly adopted by the FPPC, along with the attached Appendix A, in which officials and employees are designated and disclosure categories are set forth, are hereby incorporated by reference and constitute the Conflict of Interest Code of the California Gambling Control Commission ("Commission").

Designated employees shall file statements of economic interests with the FPPC filing officer in the Commission who will make the statements available for inspection and reproduction. With respect to the Commissioners, and the Executive Director of the Commission, the Commission shall make and retain a copy and forward the original of these statements to the FPPC.

**Authority:** Section 87300, Government Code.

**Reference:** Sections 87300 and 87302, Government Code.

*Appendix*

**CALIFORNIA GAMBLING CONTROL COMMISSION  
CONFLICT OF INTEREST CODE**

List of Designated Positions	Assigned Disclosure Categories
<b>COMMISSIONERS</b>	
Commissioners	1
<b>EXECUTIVE ADMINISTRATION</b>	
Executive Director	1
Deputy Executive Director	1
Staff Management Auditor	1
Executive Assistant	2
<b>LEGAL DIVISION</b>	
Chief Counsel	1
Staff Counsel III	1
Staff Counsel	1
Associate Governmental Programs Analyst	2, 4
Staff Services Analyst	2, 4
<b>LEGISLATIVE &amp; PUBLIC AFFAIRS OFFICE</b>	
Deputy Director	1
Associate Governmental Program Analyst	2
Staff Services Analyst	2
<b>SUPPORT SERVICES</b>	
Deputy Director	1
Staff Services Manager 1	1
Senior Programmer Analyst	2, 3
Systems Software Specialist I	2, 3
Associate Governmental Program Analyst	2, 4
Staff Services Analyst	2, 4
Senior Accounting Officer	2, 4
Associate Budget Analyst	4
Associate Information System Analyst (Specialist)	2, 3
Associate Personnel Analyst	4

<b>LICENSING DIVISION</b>	
Deputy Director	1
Staff Services Manager I	1
Associate Governmental Program Analyst	2
Staff Services Analyst	2
Management Services Technician	2
<b>COMPLIANCE DIVISION</b>	
Deputy Director	1
Senior Management Auditor	1
Staff Management Auditor	2
Associate Management Auditor	2
Staff Services Management Auditor	2
Management Service Technician	2
Associate Information System Analyst (Specialist)	2, 3
<b>CONSULTANTS</b>	
Consultant	

**DISCLOSURE CATEGORY 1** – Full disclosure is required. Any officer, employee, or consultant in this category shall disclose all interest in real property in the State of California, as well as investments, business positions, and sources or income, including gifts and travel payments.

**DISCLOSURE CATEGORY 2** – Any officer, employee, or consultant in this category shall disclose investments, business positions, and sources of income including gifts and travel payments, from any manufacturer or distributor of gambling equipment; holder of a finding of suitability issued pursuant to a tribal-state compact; Indian tribe; holder of a state gambling license (including a key employee of a gambling establishment); holder of a work permit; applicant for a state gambling license; applicant for a work permit; applicant for licensure as a third-party provider of proposition player services; applicant for registration as a third-party provider of proposition player services; applicant for registration as a manufacturer or distributor of gambling equipment; applicant for a finding of suitability under a tribal-state compact; or applicant for any other license,

permit or approval provided for in the Gambling Control Act, any regulation adopted pursuant the Gambling Control Act, or any tribal-state compact. Any person in this category shall also disclose any interest in real property in the State of California.

**DISCLOSURE CATEGORY 3** – A designated employee in this category shall report all investments, business positions, and income, including gifts, loans, and travel payments, from sources that provide information technology systems including: hardware, software, equipment, or consulting services, of the type utilized at the Commission.

**DISCLOSURE CATEGORY 4** – A designated employee in the category shall report all investments, business positions and income, including gifts, loans and travel payments, from sources that provides or provided within the previous two years services, supplies, equipment, vehicles, machinery, leased facilities, including training or consulting services, of the type utilized by the Commission.

**CONSULTANT DISCLOSURE CATEGORY** – Consultants shall be placed in disclosure category 1, subject to the following limitation: the Executive Director may determine in writing that a particular consultant although a “designated position”, has been hired to perform a range of duties that is limited in scope and, thus, is not required to fully comply with the disclosure requirements in this Code. Such determination shall include a description of the consultant’s duties and, based upon that description, a statement of the extent of disclosure requirements. The Director’s determination is a public record and shall be retained for public inspection in the same manner and locations as this Conflict of Interest Code.

## **Title 11. Law; Division 3. Gambling Control**

### **Chapter 1. The Division of Gambling Control**

#### **Article 1. Division Of Gambling Control Powers And Jurisdiction**

##### **Section 2000. Jurisdiction.**

The following regulations are adopted by the Director of the Division of Gambling Control (Division) pursuant to the Gambling Control Act ("Act") commencing with Business and Professions Code section 19800.

**Authority:** Sections 19826(f) and 19827 of the Business and Professions Code.

**Reference:** Sections 19826 and 19827 of the Business and Professions Code.

##### **Section 2001. Exemptions and Extensions for Compliance.**

Upon a showing of good cause, the Director, in his or her sole discretion, may grant a temporary exemption or extension of time only for any of the requirements or deadlines provided for in these regulations. Such exemption or extension shall be in writing and designate a specific time period for the exemption or extension.

**Authority:** Sections 19826(f) and 19827 of the Business and Professions Code.

**Reference:** Section 19826 of the Business and Professions Code.

#### **Article 2. Definitions**

##### **Section 2010. Definitions.**

For purposes of these regulations, the following terms have the following meanings:

(a) "Act" means the California Gambling Control Act, Chapter 5 (commencing with Section 19800), of Division 8, of the Business and Professions Code.

(b) "Approval" means authorization by the Division for certain acts, transactions, events and/or processes as provided in the Act.

(c) "Chip" means a tangible representative of value issued by a licensee to a patron to use only as a wager at table games or as a tip while playing at table games at a licensee's gambling establishment.

(d) "Day" means calendar day unless otherwise specified.

(e) "Designated Agent" means a person(s) appointed by the owner(s) of a gambling establishment or the primary owner of a third-party provider of proposition player services or gambling business to serve as their representative.

(f) "Gaming Activity" means any activity or event including, but not limited to, jackpots, bonuses, promotions, cashpots, tournaments, etc., that is appended to or relies upon any controlled game.

(g) "Wager" means a sum of money or thing of value risked or bet on the outcome of a controlled game.

**Authority:** Sections 19800, 19801, 19803, 19810, 19850 and 19910, Business and Professions Code.

**Reference:** Sections 19805(f), 19851, 19854, 19867, 19880, and 19890, Business and Professions Code and Sections 15001, 15001.1, and 15001.2, Government Code.

### ***Article 3. Administration***

#### **Section 2020. Service of Notices, Orders and Communications.**

- (a) Except as otherwise provided by law or these regulations, notices and other written communications shall be sent to an applicant, licensee, or designated agent by first-class mail, at the address of the establishment, unless a different address is otherwise designated by the applicant, licensee, or designated agent.
- (b) The time specified in any such notice or communication shall commence to run from the date such mailing is postmarked.
- (c) Any change of address shall be reported to the Division, in writing within 10 days of such change, and shall specifically request that all notices and written communications be sent to the changed address.

**Authority:** Sections 19826 and 19827 of the Business and Professions Code.

**Reference:** Section 19827 of the Business and Professions Code.

#### **Section 2021. Separation From Employment:**

Designation of Bureau Employees Pursuant to Business and Professions Code, section 19981, subdivision (a), specified Division employees shall not, for a period of 3 years following separation from employment, act in certain capacities involving administrative action or the issuance of a license, permit, or approval. Division employees subject to the provisions of Business and Professions Code section 19981, subdivision (a) include:

- a. Director/Chief
- b. Deputy Director/Assistant Bureau Chief
- c. Special Agent in Charge
- d. Special Agent Supervisor
- e. Special Agent/Special Agent Trainee
- f. Field Representative
- g. Auditor
- h. Department of Justice Administrator I/II/III
- i. Staff Services Analyst working in a licensing/approval capacity
- j. Associate Governmental Program Analyst working in a licensing/approval capacity or,
- k. Any employee whose class is not listed and whose job description involves actions related to the issuance, amendment, awarding, or revocation of a permit, license, or approval.

**Authority:** Sections 19826 of the Business and Professions Code.

**Reference:** Sections 19981.

### ***Article 4. Licensure Qualifications And Requirements***

#### **Section 2030. Designated Agent.**

- (a) An applicant or a licensee may designate a person(s) to serve as their agent(s), on a form Appointment of Designated Agent, DGC-APP. 008 (Rev.09-03), incorporated by reference into Title 4, CCR, section 12270. The Division retains the right to exercise its discretion to disapprove, in whole or in part, such designation.
- (b) In the discretion of the Division, an applicant or licensee may be required to appoint a designated agent(s) if the Division determines the need for such an agent(s) exists.

**Authority:** Sections 19826, and 19827 of the Business and Professions Code, and Stats. 1997, c. 867 (S.B.8), Section 66.5.

**Reference:** Sections 19826.

**Section 2037. Schedule of Investigation and Processing Costs.**

(a) An applicant shall submit a deposit in accordance with Business and Professions Code sections 19867 and 19984, and Title 4, CCR, Chapters 2.1 and 2.2, in addition to the application fee required under Business and Professions Code section 19951(a), before the Division initiates any background investigation or review related to a license, a finding of suitability, or an approval. During the investigation or review, the Director may require an applicant to deposit any additional sums as are required to pay all costs and charges of the investigation or review. Additional deposits are due to the Division within fifteen (15) days from the date of the request for the required deposit. All costs and charges of the investigation or review must be paid before the Division may approve a contract or make a recommendation to the California Gambling Control Commission. The investigation or review concludes upon the California Gambling Control Commission's approval or denial of the application or the granting of a request to withdraw the application. For contracts, the review concludes upon the Division's approval or denial of the application or the request to withdraw the application. At the conclusion of the investigation or review, the Division shall provide the applicant with an itemized accounting of the costs incurred and shall refund any unused portion of the deposit.

(1) The Division's schedule of deposits for investigation and processing costs under Business and Professions Code section 19867 shall be as follows:

(A) An applicant (Sole Proprietor, Corporation, Partnership, Shareholder, Partner, etc.), other than a trust, for an initial State Gambling License, shall submit a deposit in the amount of \$5,000;

(B) An applicant for an initial State Gambling License that is a trust shall submit a deposit in the amount of \$900;

(C) An applicant for an initial State Gambling License as an uninvolved spouse with community property interest shall submit a deposit in the amount of \$750;

(D) An applicant for an initial Key Employee License shall submit a deposit in the amount of \$1,200;

(E) An applicant (Sole Proprietor, Corporation, Partnership, Shareholder, Partner, etc.), other than a Trust, for a Renewal of a State Gambling License, shall submit a deposit in the amount of \$600;

(F) An applicant for a Renewal of a State Gambling License as an uninvolved spouse with community property interest shall submit a deposit in the amount of \$200;

(G) An applicant for a Renewal of a Key Employee License shall submit a deposit in the amount of \$200;

(H) If after a review it is determined that further investigation is needed, a deposit in the amount of \$200 shall be required for the review of an application for a Renewal of a State Gambling License for a Trust.

(I) An application for a Game or Gaming Activity review shall be accompanied by a deposit in the amount of \$315; and

(J) If after a review it is determined that further investigation is needed, a deposit in the amount of \$252 shall be required to review an amendment or change to any Division-approved game or gaming activity.

(2) The Division's schedule of deposits for investigation and processing costs under Business and Professions Code section 19984 and Title 4, CCR, Chapters 2.1 and 2.2, shall be as follows:

(A) An application for Proposition Player Contract approval shall be accompanied by a deposit in the amount of \$600;

(B) An application for Proposition Player Contract Amendment approval shall be accompanied by a deposit in the amount of \$450.

(C) A completed supplemental information package as defined in Title 4, CCR, Chapters 2.1 and 2.2 for Primary Owner or Owner shall be accompanied by a deposit in the amount of \$5,000;

(D) A completed supplemental information package as defined in Title 4, CCR, Chapters 2.1 and 2.2 for a Supervisor shall be accompanied by a deposit in the amount of \$1,200;

(E) A request for an expedited review of a Proposition Player Contract shall be accompanied by a deposit in the amount of \$360;

(F) If after a review of the supplemental information package as defined in Title 4, CCR, Chapters 2.1 and 2.2 of a Player or Other Employee it is determined that further investigation is needed, a deposit in the amount of \$315 shall be required;

**Authority:** Sections 19826, 19867, and 19984, Business and Professions Code.

**Reference:** Sections 19805(b), (i), and (j), 19827, 19853(b), 19867, 19950(b), 19951, and 19984, Business and Professions Code.

### **Section 2038. Required Forms.**

In accordance with Title 11, CCR, section 2071, an applicant shall request approval from the Division prior to offering for play any game or gaming activity. The following application forms and instructions for making such requests are hereby incorporated by reference:

(a) DGC-APP. 026 (Rev. 01/05) Application for Game Review

(b) DGC-APP. 027 (Rev. 01/05) Application for Gaming Activity Review

**Authority:** Sections 19826(f) and (g), Business and Professions Code.

**Reference:** Sections 19826(f) and (g), and 19866, Business and Professions Code.

## ***Article 5. Operation Of Gambling Establishments***

### **Section 2050. Owner or Key Employee on Premises.**

(a) A gambling establishment shall have on the premises, at all times that the establishment is open to the public, an owner licensee or a key employee who shall have the responsibility and authority to ensure immediate compliance with the Act and these regulations.

(b) Subdivision (a) notwithstanding, gambling establishments with a reported gross revenue of less than \$200,000 for the preceding fiscal year, upon written request by the owner licensee, the Division, in its discretion, may approve a written plan whereby the owner licensee or a designated employee, who shall have the responsibility and authority to ensure compliance with the Act and these regulations, shall be promptly available by telephone. The plan shall identify each such individual by name, title, and telephone contact number, as well as identifying the days and hours available as the designated contact.

**Authority:** Sections 19826(f) and 19827, Business and Professions Code.

**Reference:** Sections 19920 and 19924, Business and Professions Code.

**Section 2051. Gambling Chips.**

Each gambling establishment shall maintain a set of chips for use at gambling tables. These chips shall be designed, manufactured, and constructed so as to prevent, the counterfeiting of such chips, and licensees may be required to submit their chips to the Division for approval.

**Authority:** Sections 19824A(f), 19825 and 19830 of the Business and Professions Code, and Stats. 1997, c. 867 (S.B.8), Section 66.5.

**Reference:** Section 19918 of the Business and Professions Code.

**Section 2052. Information to be Furnished by Licensees.**

(a) On or before January 1 and July 1 of each year, the gambling establishment shall submit to the Division a written report which identifies every person who at any time during the prior six months, received, or had a right to receive, payments which were calculated or based upon the earnings, profits or receipts generated from controlled gambling at the gambling establishment.

(b) On or before January 1 and July 1 of each year, the gambling establishment shall submit to the Division a written report, which identifies every person to whom, at any time during the prior six months, any interest in the assets, earnings, profits or receipts of the gambling establishment have been pledged or hypothecated.

(c) Within five days of any owner licensee or key employee obtaining knowledge or notice of any possible violation of the Act or these regulations, a written report shall be submitted to the Division, which details the nature of the violation, the identities of those persons involved in the violation, and describes what actions have been taken to address the violation.

**Authority:** Sections 19826(f) and 19827 of the Business and Professions Code.

**Reference:** Section 19924 of the Business and Professions Code.

**Section 2053. Adequate Financing.**

(a) The Division may require a gambling establishment to present satisfactory evidence that there is adequate financing available to protect the public's health, safety and welfare.

(b) A gambling establishment shall maintain a separate, specifically designated, insured account with a licensed financial institution in an amount not less than the total value of the chips in use by the gambling establishment. The funds from that account may only be used to redeem the chips of that gambling establishment. That account may not be used as collateral, or encumbered or hypothecated in any fashion. Alternatively, the Division may allow the gambling establishment to provide some other form of security acceptable to the Division, in lieu of maintaining the required account.

(c) A gambling establishment shall maintain a separate, specifically designated, insured account with a licensed financial institution in an amount not less than the total amount of the monies that patrons of that gambling establishment have on deposit with the gambling establishment. The funds from that account may only be used to return to the patrons the balance of monies on deposit with the gambling establishment. That account may not be used as collateral, or encumbered or hypothecated in any fashion. Alternatively, the Division may allow the gambling establishment to provide some other form of security acceptable to the Division, in lieu of maintaining the required account.

**Authority:** Sections 19826(f) and 19827 of the Business and Professions Code.  
**Reference:** Sections 19920 and 19924 of the Business and Professions Code.

## **Article 6. General Reporting**

### **Section 2060. Employee Reports.**

- (a) Upon request of the Division, a licensee shall promptly supply a list of all employees and each employee's job classification and job description.
- (b) Within 10 days after making any changes in the organizational structure, an owner licensee shall submit to the Division an updated chart identifying such changes.
- (c) On or before January 15 and July 15 of each year, each owner licensee shall submit a report identifying key employees, on a form provided by the Division, Key Employee Report, form DGC-LIC. 101 (Rev. 07-03), incorporated by reference into Title 4, CCR, section 12270.

**Authority:** Sections 19826(f), and 19827 of the Business and Professions Code, and Stats. 1997, c. 867 (S.B.8), Section 66.5.

**Reference:** Sections: 19805(q) and 19826 of the Business and Professions Code.

## **Article 7. Games**

### **Section 2070. Unsuitable Gaming Activities.**

It shall be an unsuitable method of operation for a gambling establishment to:

- (a) Offer for play any game that is prohibited or made unlawful by statute, local ordinance, regulation, or final judgment by a competent court of law;
- (b) Offer for play any gaming activity which is not authorized by the Division pursuant to the Act and these regulations for play at that gambling establishment;
- (c) Fail to display at every table where a game is offered, the specific name of the game, or the variation thereof, that is then available for play at the table;
- (d) Fail to give ample notice of the fee collection rates applicable to each table to the patrons of the gambling establishment;
- (e) Fail to determine and collect applicable fees from all players at the table prior to the start of play of any hand or round; and,
- (f) Fail to place in a conspicuous place, or make readily available to the patrons, a printed list of the rules of play for each gaming activity offered at the gambling establishment.

**Authority:** Sections 19826(f) and 19827 of the Business and Professions Code.

**Reference:** Sections 19801, 19826, 19866, and 19920 of the Business and Professions Code.

### **Section 2071. Gaming Activity Authorization.**

(a) As part of the application for initial licensure, every applicant shall submit to the Division a report identifying all gaming activities proposed to be offered at the gambling establishment. The report shall include, but not be limited to, the following:

- (1) The name of each gaming activity;
- (2) The rules for each gaming activity, including, where applicable, a description of the event that determines the winner of the gaming activity, the wagering conventions, and the fee collection and assessment methods;
- (3) A glossary of distinctive terms or phrases used in each gaming activity;
- (4) A statement for each gaming activity that explains why that gaming activity is not prohibited or made unlawful by statute, local ordinance, regulation, or final

judgment by a competent court of law; and,

(5) Such other information the Division, in its discretion, requests. Unless a reported gaming activity is specifically disapproved by the Division, all gaming activities identified in the required report shall be deemed authorized upon issuance of the initial license. It shall be an unsuitable method of operation to offer for play any gaming activity that was not specifically identified in the required report, without first obtaining authorization from the Division to do so.

(b) At any time after initial licensure, a gambling establishment may request the Division to authorize a gaming activity, which has not been previously authorized by the Division, for use at that establishment. Within 30 days of a request for authorization of a gaming activity, the Division shall review the request for completeness and notify the licensee of any deficiencies in the request, or that the request is complete. Within 90 days from the date a licensee is notified that the request is complete, the Division shall act on the request. The request shall include, but not be limited to, the following:

(1) The name of each requested gaming activity;

(2) The rules for each requested gaming activity, including, where applicable, a description of the event that determines the winner of the gaming activity, the wagering conventions, and the fee collection and assessment methods;

(3) A glossary of distinctive terms or phrases used in each gaming activity;

(4) A statement for each gaming activity that explains why that gaming activity is not prohibited or made unlawful by statute, local ordinance, regulation, or final judgment by a competent court of law; and,

(5) Such other information the Division, in its discretion, requests. It shall be an unsuitable method of operation to offer for play any requested gaming activity without first obtaining authorization from the Division to do so.

(c) The Division, in its sole discretion, may temporarily authorize the play of a gaming activity during the pendency of the Division's review. The Division, in its sole discretion, may withdraw this temporary authorization at any time. Such temporary authorization does not create any presumption as to the suitability or lawfulness of the gaming activity, nor does it create any right, of any nature whatsoever, to the continuing play of the temporarily authorized gaming activity at the establishment.

(d) If upon subsequent review it is determined by the Division that a gaming activity is prohibited or made unlawful by statute, local ordinance, regulation, or final judgment by a competent court of law, then the authorization for that gaming activity shall be withdrawn.

(e) Within 10 days of service of notice from the Division either disapproving of, or withdrawing authorization for, a gaming activity as provided in subdivisions (a), (b) and (d) above, an objection thereto may be filed with the Director. The Director, in his or her discretion, may then grant or deny the objection. Judicial review of the Director's decision is subject to the limitation of Business and Professions Code Section 19804.

**Authority:** Sections 19826 and 19827 of the Business and Professions Code.

**Reference:** Sections 19801, 19826, 19865, 19866, 19920, 19924, and 19932 of the Business and Professions Code.

### **Section 2072. Report of Gaming Activities.**

On or before January 1 and July 1 of each year, each licensed gambling establishment shall submit a report to the Division identifying all gaming activities offered at the gambling establishment at any time during the prior six months. The report shall include, but not be

limited to, the following:

- (a) The name of each gaming activity;
- (b) The rules for each gaming activity, including, where applicable, a description of the event that determines the winner of the gaming activity, the wagering conventions, and the fee collection and assessment methods;
- (c) A glossary of distinctive terms or phrases used in each gaming activity;
- (d) The dates on which each gaming activity was offered;
- (e) Copies or transcripts of all advertisements used to promote the gaming activity; and,
- (f) Such other information the Division, in its discretion, requests.

**Authority:** Sections 19826 and 19827 of the Business and Professions Code.

**Reference:** Sections 19826 and 19866 of the Business and Professions Code.

### ***Article 13. Transitional Provisions***

#### **Section 2140. Definitions.**

For purposes of this Article, the following terms have the following meanings:

- (a) “Annual registration” means a registration issued under the former Gaming Registration Act (former Business and Professions Code Section 19800 et seq.).
- (b) “Conditional registration” means a registration issued pursuant to former Business and Professions Code Section 19807(c).
- (c) “Provisional license” means a license that is either granted by operation of law pursuant to Statutes of 1997, Chapter 867, Section 62, or is issued by the Director pursuant to that section.

**Authority:** Sections 19826(f) and 19827 of the Business and Professions Code.

**Reference:** Stats. 1997, c. 867 (S.B.8), Section 62.

#### **Section 2141. Provisional Licenses.**

- (a) A provisional license is held subject to the same conditions, restrictions, and limitations on the authorization granted by the predecessor annual or conditional registration.
- (b) A provisional license is held subject to all terms and conditions under which a state gambling license is held pursuant to the Act.
- (c) A provisional license creates no vested right to the issuance of a state gambling license.

**Authority:** Sections 19826(f) and 19827 of the Business and Professions Code.

**Reference:** Stats. 1997, c. 867 (S.B.8), Section 62(a) and (b)(1).

#### **Section 2142. Presumption of Suitability.**

- (a) Every natural person who holds a provisional license as a result of holding a valid and unexpired annual registration, on December 31, 1997, shall be rebuttably presumed to be suitable for licensure pursuant to the Act.
- (b) The rebuttable presumption described in Stats. 1997, ch. 867, section 62(g) subdivision (a) shall not apply to any other holder of a provisional license.

**Authority:** Sections 19826(f) and 19827 of the Business and Professions Code.

**Reference:** Stats. 1997, c. 867 (S.B.8), Section 62(c) and (g).

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